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| Austria | Sch30 | Iran | Rls210 | Pakistan | Rs35 |
| Bahrain | Din0.500 | Israel | Shk4.00 | Philippines | Pe40 |
| Belgium | BFr60 | Italy | L2200 | Poland | Zl 9,000 |
| Cyprus | C£1.00 | Jordan | JD1.30 | Portugal | Es165 |
| Denmark | DKr13 | Korea | Won 2000 | Qatar | QR10.00 |
| Egypt | E£3.00 | Kuwait | Fils.500 | S Arabia | SR8.00 |
| Finland | FM8.50 | Lebanon | L£1,000 | Singapore | S$4.10 |
| France | FFr7.50 | Lux | LFr60 | Spain | Pta175 |
| Germany | DM3.00 | Malaysia | M$4.25 | Sweden | SKr13 |
| Greece | Dr200 | Morocco | MDh10 | Switz | SFr2.70 |
| Hungary | Ft120 | Neth | Fl 3.50 | Thailand | Bht50 |
| Iceland | IKr150 | Nigeria | Naira12 | Tunisia | Din0.800 |
| India | Rs20 | Norway | NKr13.00 | Turkey | L3000 |
| Indonesia | Rp3100 | Oman | OR1.20 | UAE | Dh8.00 |

EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

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Monday January 7 1991

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**ROBOTS**
**Factories where the future works**
Page 9

World News

## Foreigners evacuated from Somali capital

More than 400 foreigners trapped in the Somali capital Mogadishu since fierce fighting between government troops and rebels began a week ago were evacuated by an Italian and American rescue operation.

But efforts to save more foreigners, including 50 Italians caught up in the violent outbreak of clan warfare, failed. Page 10

### 'Keep quiet' order

President Carlos Menem of Argentina demanded an end to public statements by three former generals he freed last week from prison, where they were serving lengthy sentences for human rights abuses. Page 2

### Turkish clampdown

Turkish security forces backed by water cannon and bulldozers halted almost 50,000 striking coal miners on a 250 kilometre march to the capital Ankara.

### Seine bursts banks

Heavy rain caused the river Seine to flood parts of central Paris, forcing the closure of the riverside left bank motorway.

### Emergency aid ship

A ship loaded with emergency food supplies left the Red Sea port of Djibouti destined for the famine-stricken Ethiopian provinces of Eritrea and Tigray. Page 4

### Albanian amnesty

Albania's ruling communists will release over 200 political prisoners in a gesture aimed at stemming support for the opposition Democratic party, as the country prepares for elections on February 10. Page 2

### IRA bombings

Northern Ireland's drive to attract much-needed investment suffered a serious setback after a co-ordinated IRA firebomb blitz. Page 4

### Ireland, UK buffeted

Nearly 30 people were feared dead as emergency services continued their search for victims of weekend storms that lashed the UK and Ireland.

### Blast kills six

A bomb blast in the southern Afghan city of Kandahar killed five civilians on Saturday and injured six.

### Serrano leads polls

Jorge Serrano, a right-wing businessman, emerged the frontrunner as Guatemalans voted for a new president in the second round of elections.

### Peking court verdict

A Peking court handed out relatively lenient sentences to nine people, at least six of them students, found guilty of minor offences during pro-democracy demonstrations in 1989. Page 4

### Thousands march

Tens of thousands of Malians marched through the capital Bamako to support the government of President Moussa Traore, one of few African leaders still clinging to one-party rule.

### Call for uprising

The Khmer Rouge guerrilla army urged the people of Cambodia's second city Battambang to revolt against the Vietnamese-backed Phnom Penh government and contribute to "an early liberation" of their city.

### Spanish clean-up

Spain's health ministry, worried about the health of its hamburger-munching youngsters, ordered local authorities to carry out quality and hygiene tests on burger-bars all over Spain after a critical study by a consumer group.

Business Summary

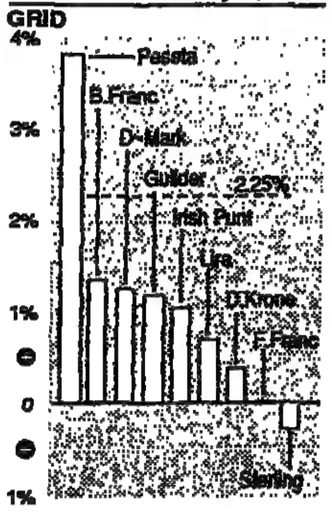
## UK begins talks over first Ecu bond issue

The Bank of England has started active discussions with banks in London over the UK government's first European Currency Unit bond issue.

Bankers expect the government to issue Ecu bonds in next few months, before the launch of the London International Financial Futures Exchange's Ecu bond futures contract in March. Page 11

EUROPEAN Monetary System: Sterling was helped by a general easing of D-Mark and comments by senior UK minsters dismissing suggestions of devaluation. It remained the weakest member of exchange rate mechanism, but was not under strong pressure. The Belgian franc replaced the D-Mark as the second strongest ERM currency, prompting a cut in Belgian interest rates. Currencies, Page 21

**EMS** January 4, 1991




*The chart shows member currencies of exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise by more than 2.25 per cent from the weakest currency in that part of the system. Sterling and Spanish peseta operate within 6 per cent fluctuation bands.*

JAPAN Airlines (JAL) is taking a 14 per cent stake in a subsidiary of US aerospace group Lockheed, newly set up to maintain and modify Boeing 747 jumbo jets. Page 12

INVESTCORP, Bahrain-based international investment bank which recently bought US fashion retailer Saks Fifth Avenue for $1.6bn, made 1990 net profits of $66.3m, 28 per cent up on previous year. Page 11

UK economy: Prime minister John Major said government was "coming to grips" with economic difficulties and there were "unmistakable" signs that inflation was falling. Pages 4 and 10

SEARS Roebuck, struggling US retailer, is to cut 21,000 non-selling jobs nationwide by mid-year. Page 12

POLAND'S new prime minister, Jan Krzysztof Bielecki, has promised free-market policies and faster privatisation. Page 2

US recession: Three of Enstar Group's retail subsidiaries and Best Products have filed for protection from creditors under Chapter 11 of the Bankruptcy Code. Page 12

THAI Airways saw pre-tax profits fall to 6.75bn baht ($270m), from 7.42bn baht a year earlier. Page 12

Anthony Harris today begins a weekly column of comment and analysis covering financial and economic issues in Britain and around the world. The column will run on Mondays on the back page of the first section in the space occupied by Lex on other days. Page 10

Iraqi troops told to prepare for great sacrifices in 'mother of battles'

# Saddam hardens stance on war

By Victor Mallet and Ralph Atkins in London and Peter Riddell in Washington

PRESIDENT Saddam Hussein of Iraq declared yesterday that Kuwait was an inalienable part of his country and urged his troops to prepare for great sacrifices in the "mother of battles".

His warlike speech to mark Iraq's Army Day cast doubt on the effectiveness of frantic diplomatic efforts to persuade him to withdraw from Kuwait before the January 15 deadline set by the United Nations.

"The return of Kuwait is a fact and not a claim," the Iraqi leader said in his televised address. "It is the 19th province on the map of Iraq with its long history for the present and the future." Although he said Iraq was fighting to liberate Palestine, he did not repeat earlier hints that he might withdraw his troops from Kuwait in exchange for progress in resolving the Arab-Israeli dispute.

President Saddam vigorously defended the seizure of Kuwait on August 2, boasted of Iraq's military prowess and appeared to be preparing his men for battle against the US-led multinational force in Saudi Arabia. "Comrades in arms," he said, "the battle will entail great sacrifices."

US officials said they saw no sign of any shift in the Iraqi position before the meeting on Wednesday in Geneva between Mr James Baker, the US secretary of state, and Mr Tariq Aziz, the Iraqi foreign minister.

Mr Brent Scowcroft, the president's national security adviser, said he saw no weakening in Mr Saddam's "intransigence" and did not believe the Geneva meeting would change very much.

At present he did not detect any progress or prospect of a breakthrough in what he called "the countdown for peace."

There was no indication, he added, that Mr Saddam was "getting the message" about the international coalition's willingness to use force if Iraq refuses to comply with successive UN resolutions by withdrawing fully from Kuwait.

In Israel Mr David Levy, the foreign minister, called Mr Saddam's speech "absolutely extreme" and said it was effectively a declaration of war, although he did not rule out a sudden Iraqi withdrawal from Kuwait. Iraq has said Tel Aviv will be its first target if Iraq is attacked.

King Fahd of Saudi Arabia said he shared President George Bush's earlier "gut instinct" that Mr Saddam would pull out of Kuwait. He also held out the possibility of talks between Iraq and Kuwait after a withdrawal, but said Saudi Arabia was prepared for war if necessary.

Mr Bush and his senior officials have taken an uncompromising view of the aim of the Baker-Aziz meeting, stressing that there will be no negotiations and that the US will not agree to any subsequent talks in Baghdad.

In a weekend radio address, Mr Bush said: "There will not be secret diplomacy. Secretary Baker will restate, in person, a message for Saddam Hussein; withdraw from Kuwait unconditionally and immediately, or face the terrible consequences."

Mr Baker, who left the US yesterday for talks in London and Paris, will give Mr Aziz a letter from Mr Bush for President Saddam making clear that the international community is resolved to enforce the UN resolutions.

Mr John Major, the prime minister, prefaced a four-day visit to the Gulf by saying yesterday that he hoped any conflict with Iraq would be "swift and short".

He insisted there could be no question of compromise in the Geneva talks. "You don't negotiate with someone who's broken into your house as to
Continued on Page 10

US ambassador to Bonn, Vernon Walters, bids farewell to American troops yesterday as they depart for Saudi Arabia

**THE GULF CRISIS**


# Regulators plan rescue package for troubled US bank

By Alan Friedman in New York

FEDERAL banking officials were meeting in Washington last night to try to piece together a rescue plan for the Bank of New England.

The Boston-based bank is facing technical insolvency because its projected fourth-quarter 1990 losses of $450m would wipe out its capital base of $255m.

The crisis at the US's 33rd largest bank has been mounting over the past year; an estimated third of its $6.3bn of commercial real estate loans are believed to be non-performing.

Coming after last week's banking crisis in Rhode Island, the Bank of New England's troubles further underscore the crumbling state of the region's economy, which is the worst hit by the US recession.

It emerged yesterday that up to 23 of the 45 Rhode Island banks shut last week may not reopen because they cannot obtain the required federal deposit insurance.

Work is proceeding on possible rescue options to ensure that depositors are able to get their money back, but the potential losses at the 23 institutions total nearly $1bn.

In Washington, the Federal Deposit Insurance Corporation (FDIC), which guarantees the Bank of New England's account holders, is exploring a range of rescue options including arranging the acquisition of the bank by a healthy institution.

Any rescue is likely to be costly for the FDIC, which is already strapped for cash because of the depressed state of the US banking system.

Allowing the bank to close is thought to be the last resort because it could cost Washington more than $2bn. This would make the Bank of New England the biggest bank failure in US history.

A rescue also seems likely because the bank – which has incurred losses of $1.4bn in the past 12 months and has already sold $6bn of assets, about a quarter of its total, under a consent order with federal regulators – plays too prominent a role in the New England economy to be permitted to fail.

The bank's board met yesterday to consider a rescue package put forward by its bondholders committee. Mr Greg Kiernan, chairman of the
Continued on Page 10

# Airlines join suspension of flights to Israel

By Judy Maltz in Jerusalem and Kevin Done in London

FOREIGNERS packed Tel Aviv's Ben-Gurion airport yesterday in a rush to leave Israel as another three airlines announced the suspension of flights to the country.

The Israel Airports Authority said the flights were cancelled because of sharp rises in insurance amid fears of a Gulf war. The three airlines are the Polish national carrier LOT, Cyprus Airways and Scandinavian Airline System (SAS).

British Airways is continuing to fly to most of its destinations in the Middle East although it is reducing its services to Tel Aviv "for commercial reasons" from January 15, the date of the UN deadline to Iraq to withdraw from Kuwait. Services to Tel Aviv are being reduced from six to four a week because of reduced demand.

BA has already re-routed all its flights to the Far East and Australasia that would normally cross Iraq, Kuwait or the Gulf area, to more northerly routes.

The airline said yesterday that it was monitoring the situation in the Gulf around the clock and had "well-prepared contingency plans ready both for provision of extra flights from the areas and for complete re-routing of all services."

Other international airlines have already suspended some services to the Middle East. South African Airways has also suspended services to Israel, and the Dutch KLM airline have announced plans to reduce flights there.

Pan Am announced last week that it was suspending flights to Israel and Bahrain, while Cathay Pacific has stopped flights to Bahrain from London and is re-routing its services to Hong Kong via Helsinki.

British Airways said that demand had been heavy on its routes from the Gulf region including Abh Dhabi, Riyadh, Dhahran, Dubai and Bahrain. It said it was putting extra capacity on these routes "to meet anticipated increased demand for seats up to the January 15 deadline".

It is understood that demand for seats to the region is being increased by the needs of military personnel, as the build-up of troops in the Gulf continues.

Airlines are increasingly concerned about Iraq's latest threats to launch terrorist attacks in the west and are understood to have taken measures to increase security.

BAA, the operator of Heathrow airport, London, said that it was on its "normal security high level" and that any change would be instigated by the Department of Transport. "We do have contingency plans."

# Yeltsin refuses Moscow call for extra cash to balance budget

By Quentin Peel in Moscow

MR BORIS YELTSIN, leader of the Russian parliament, threw the Soviet leadership into disarray at the weekend by refusing to provide extra finance to narrow the central government's yawning budget deficit.

He rejected suggestions of a compromise between the all-union government and the Russian government, and warned: "We are talking about a war of the budgets."

His renunciation of an apparent peace agreement last week came as President Mikhail Gorbachev published a decree on land reform which could also set the Soviet leader at loggerheads with Mr Yeltsin, his arch political rival, and the Russian parliament.

The deal is intended to set up a land bank for developing private plots of land but it falls short of the outright private land ownership – as opposed to leasehold – which Mr Yeltsin wants.

Mr Yeltsin has clearly decided to raise the confrontation stakes at a time when his leading officials, and those of the central government under Mr Gorbachev, had made big strides towards compromise on the crucial budget question.

The Russian leader's popularity stems from his constant opposition not just to Mr Gorbachev but to the perceived dictatorship of the central government and Communist Party bureaucracy.

At a time when the Soviet leader appears to be attempting to reinforce that rule, he may well have decided it was no moment to co-operate, in spite of the threat of huge economic dislocation without a national budget.

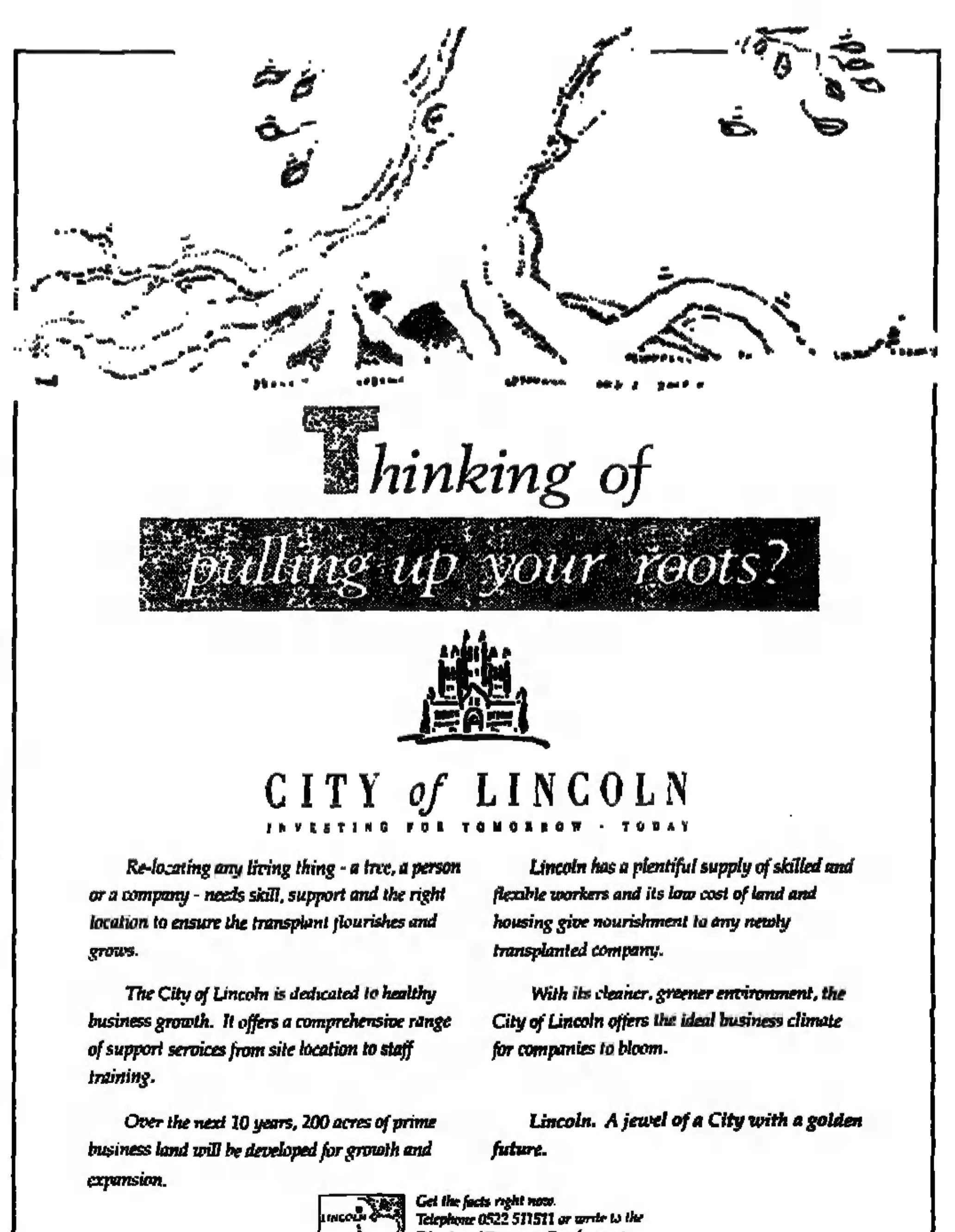
Mr Yeltsin said the Soviet government was demanding Rbs105bn ($202.65bn at the official exchange rate) from Russia towards the current budget, but Russia was not prepared to hand over more than Rbs78bn. However that is already much more than the Rbs23.4bn first offered by the Russian government.

He said he was alarmed by the optimistic interview given by Mr Gorbachev to Soviet television last week, in which the Soviet leader suggested that agreement had been reached between the republics and the union on principles for the division of revenues and spending in the 1991 budgets.

He said the draft agreement drawn up by the Federation Council, the supreme executive body under the president which brings together all the Soviet republics, must be amended. Russia submitted an alternative version on Saturday.

State spending is in chronic deficit at every level of Soviet authority.

Over the past year those deficits have been handled by massive recourse to printing money – some Rbs24bn, instead of the Rbs10bn planned. The budget row is primarily an attempt to shift the deficit burden back to the top, where money can go on being printed.
Editorial Comment, Page 8




CONTENTS

### THE MONDAY INTERVIEW

Heinrich Weiss, the new 48-year-old head of the BDI, Germany's most important employers' association, surveys his new constituency with a contentment that sometimes verges on the complacent
Page 26



FT SURVEYS: THE FT EUROPEAN 500

FINANCIAL TIMES european 500 1991

**This definitive ranking of Europe's industrial and commercial power-houses appears Thursday.**

■ ACQUISITIONS, for decades a way of life for British and US companies, have now become a powerful force reshaping the market values of publicly quoted European industry. That is the lesson of the new FT European 500 survey of the top 500 companies in Europe, which appears on Thursday.

■ Changes among the top 10 mirror the acquisitive activity of a number of German giants, but how far must they move to displace the British companies that have dominated the corporate map?

closing prices on January 4

Bush expected to appoint US agricultural secretary as party chairman

# New role for Yeutter could smooth Republican conflicts

PRESIDENT George Bush's still *unconfirmed choice of* Mr Clayton Yeutter, US agriculture secretary, as *new chairman* of the Republican party has bewildered many, writes **Nancy Dunne in Washington.**

The secretary's competence and knowledge of farm and trade policy – areas in which he has spent most of his public service career – is praised by Washington insiders. So is his tireless crusade to get farm trade rules accepted under the *now-stalled* Uruguay Round of international trade *talks.*

Mr Les Glad, an international trade specialist with the American Soyabean Association, said: "He is a dynamic, outgoing personality. But he is no kind of ideologue".

It is exactly these attributes, however, that makes sense of President Bush's choice.

The Republican party is facing divisions between conservatives and moderates, a split intensified by the president's reversal of *his no new taxes* pledge.

*Some in the party's right wing have* also joined Democrats in opposing Mr Bush's policy on the Gulf.

Mr Yeutter's credentials as an economic conservative are impeccable. His views on the "hot button" social issues – abortion, affirmative action, crime and punishment – are not well known. His appointment may baffle but it will not provoke hostility.

He is no political attack dog in the mould of Mr Lee Atwater, the ailing, retiring chairman. He *is a talented* gladhander, who will charm contributions *out of the party faithful: he may* even smooth the conflict in the ranks.

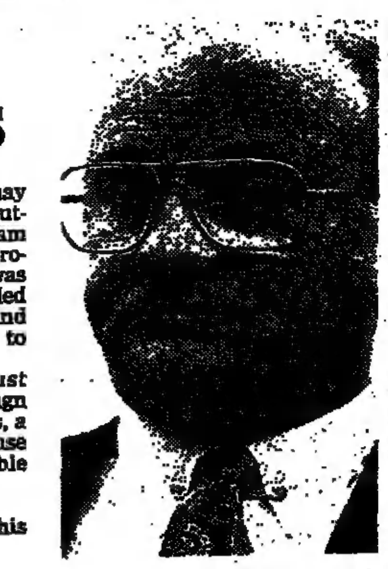
*As a former* Nebraska farmboy, the agriculture post was once the summit of Secretary Yeutter's ambitions. After three years in the gruelling position of Trade Representative, from 1985-88, he had to be convinced to take the job at USDA.

He said he would stay in office to help pass the far-reaching 1990 farm legislation. This maintains the cheap grain export competitive policy introduced by the Reagan administration, a strategy highly *unpopular* among many farmers. Mr Brian Ahlberg, for the *National* Family Farm Coalition, said: "Many farmers see Clayton Yeutter as the embodiment of corporate agri-business. I don't know of a recent secretary who has been so unpopular in the upper Mid-West".

Mr Yeutter also wanted badly to complete what he had helped start - the most ambitious round of international trade talks ever attempted. Some thought he went at that job too vehemently, *offending those who dis*agreed with him in the EC with *inflammable rhetoric.*

*Despite* the collapse of the Uruguay Round negotiations, Secretary Yeutter won accolades from mainstream farm groups for refusing to compromise on farm trade reform. He was criticised, however, for having failed to push the president sooner and harder to make credits available to the Soviet Union.

Senator Rudy Boschwitz, just defeated in his re-election campaign in *Minnesota*, and Mr Cooper *Evans*, a former congressman and White House adviser, *are mentioned* as possible choices to succeed Mr Yeutter.



**Clayton Yeutter, right: praise for his tireless crusade on farm trade**

## NEWS IN BRIEF

### Portugal lifts curbs on credit

THE Banco de Portugal (central bank) has abolished the controversial system of credit ceilings which limited the amount banks were allowed to lend, in an effort to curb surging credit demand, **writes Patrick Blum in Lisbon.**

The move is another step by the financial authorities to liberalise the market with the aim of bringing local practice more into line with European Community standards. *Although the removal of credit* ceilings had been announced last April, *they were in effect* replaced by a new system *which set* a limit on total credit growth.

The credit ceiling system was established over 12 years ago to impose individual lending limits on each bank according to a complicated formula which bankers often said they could barely understand. The system was highly unpopular among bankers, who argued that it distorted the market. Credit ceilings also became increasingly ineffective as banks sought ways around them.

Banks will now be free to lend as much as they want provided they meet basic capital ratios requirements. The central bank will also intervene more directly and regularly in the market to maintain control over *monetary policy* objectives.

### Trial date for Papandreou

Mr Andreas Papandreou, the former Greek prime minister, and three ex-cabinet ministers in his Socialist government are to go on trial on March 11 for alleged corruption in office, after a judicial investigation lasting over a year, writes **Kerin Hope in Athens.**

A 12-member tribunal of senior judges will hear the case, which is likely to last several months. Mr Papandreou faces charges of breach of trust and accepting bribes in connection with a \$200m (£103.6m) embezzlement at the *Bank of* Crete, the biggest financial *scandal* in Greek history.

The 71-year-old former premier's refusal to testify in person before an investigating judge caused a flurry of legal debate last month before an order was issued for him to be forcibly summoned.

But in keeping with the conservative government's wish to avoid a confrontation with Mr Papandreou's Panhellenic Socialist Movement before the trial, the order was allowed to lapse.

### Marching Turkish miners halted

Turkish security forces backed by water cannon and bulldozers halted nearly 50,000 striking coal miners on a 250km march to Ankara yesterday, **Reuter reports from Ankara.**

The semi-official Anatolian news agency said troops, gendarmes and riot police blocked the miners about 2km from Eskicaga village, well *short* of the main Istanbul-Ankara highway. The miners set out on foot on Friday from Zonguldak on the Black Sea after police stopped their 1,000-bus convoy from leaving for Ankara.

The 48,000 workers of the state-run *Turkish Coal Board* went on strike on November 30 to back pay claims.

### Rwandan troops kill 150 rebels

Rwandan troops have killed 150 rebels and wounded many others in renewed fighting near the Uganda border, according to Rwanda Radio, **Reuter reports from Nairobi.**

The radio, monitored in Nairobi, said about 800 rebels – remnants of a *force* of Rwandan exiles who invaded their homeland from Uganda last October – launched an attack through Muvumba, in Byumba prefecture, on Friday.

It said the rebels came from the direction of the Ugandan border. In Kigali, the Rwandan capital, 30 men are on trial charged with supporting the invasion.

# Albania to free 200 political prisoners

**By Judy Dempsey**

ALBANIA'S ruling communists will release over *200 political prisoners in* a gesture aimed at stemming the *support for* the opposition Democratic party, as the country prepares for elections on February 10.

President Ramiz Alia, head of the ruling Party of Labour (APL), also said during a session of the People's Assembly, the rubber-stamp parliament, that "new guidelines" would be issued to border guards.

The guards have been accused by the Greek authorities of shooting at ethnic Greeks and Albanians who have tried to escape into neighbouring Greece over the past week.

By issuing new but undefined *guidelines*, the Albanian authorities have implied for the first time that guards had been *shooting* at would-be escapers. Over 4,000 ethnic Greeks have fled from the country since January 1. Many are unskilled workers who risked the treacherous escape across the mountains because of deteriorating economic and living conditions.

The Greek authorities, who will receive financial assistance from the European Community to cope with the refugees, last week accused the Albanian authorities of encouraging the ethnic Greek minority to leave the country in a move *aimed at robbing* the Democratic party of votes.

The *announcement* of a partial amnesty for political prisoners is clearly part of Mr Alia's attempt to weaken the Democratic party. It was set up on December 12 and is led by a group of university economists and academics, including Mr Gramoz Pashko.

"It was our request to set free all political prisoners, and perhaps that is the first sign that this request was not a voice in the wilderness." Mr Genc Polo, spokesman *for the* Democratic party, said.

Despite these optimistic remarks, it is clear that Mr *Alia is determined to dilute the* influence of the Democratic party, *specifically by co-opting* some of its policies.

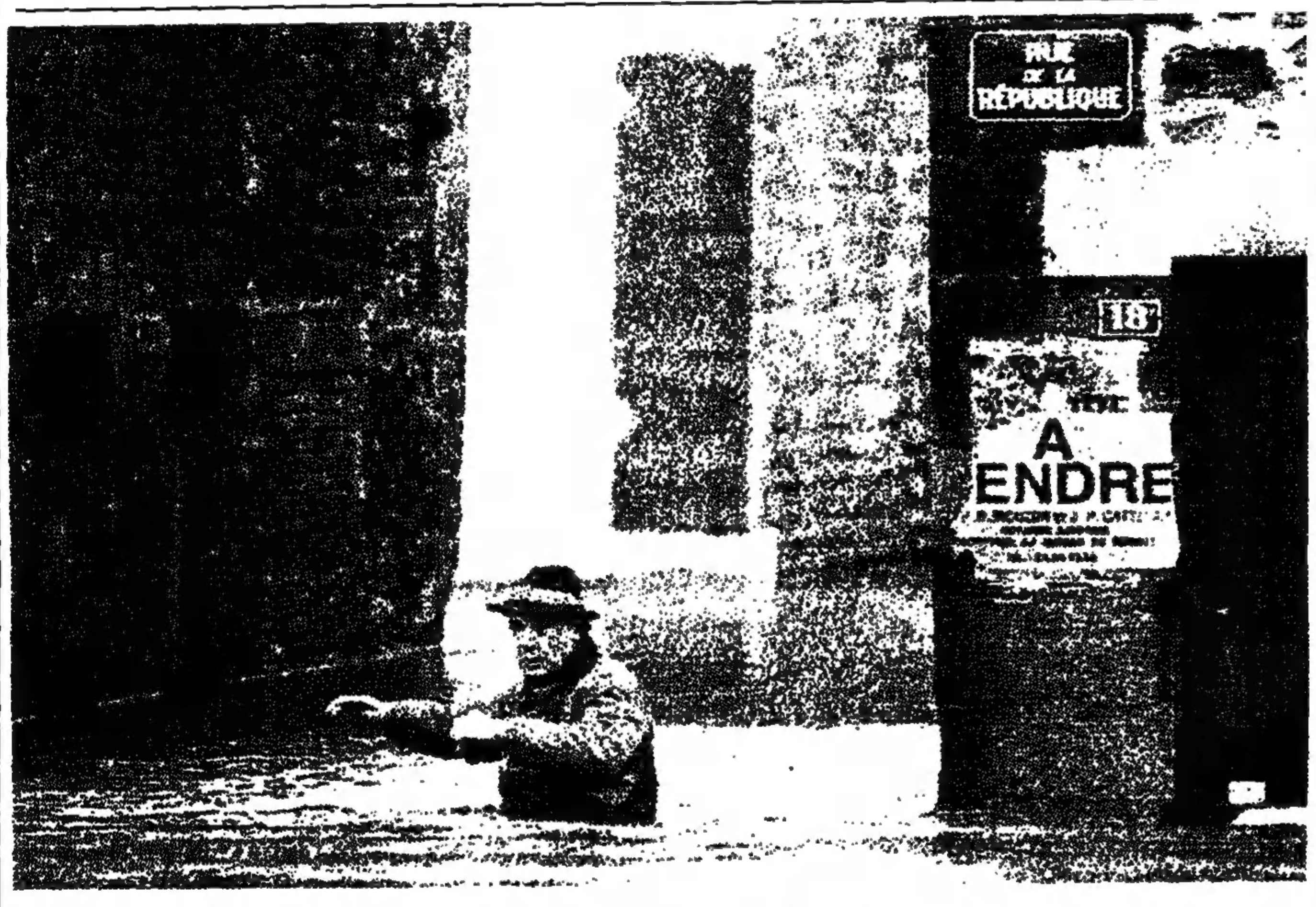
Doing so will allow the communists to retain the political initiative and convey the impression to the population that it is committed to reform.

These tactics are likely to deter sections of the population from supporting the Democratic party. The peasants will vote for the communists if they are promised some access to private plots.

Both sides, however, will woo young people, who make up over a third of the 3.2m population, and the workers. But since the communists control the media and the hated secret *police*, and have refused to postpone the elections until *May as requested by the Democratic party, it may turn out to be a one-horse race.*

Mr Alia's announcements coincide with more anti-government demonstrations at the weekend in the north-western Catholic city of Shkoder, the south-eastern city of Korce and the south-western city of Lushaje.

Mr Polo said the Lushaje demonstrations occurred during a peaceful rally on Saturday when baton-wielding police blocked off the main square.



*A man wades chest deep in water* as the River Meuse bursts its banks in the French village of Charville-Mézières yesterday following heavy rain. Houses and shops were flooded as waters rose 50ft above normal levels. Storms hit UK, Page 6

# Brazilians warn of beef export fraud

**By Christina Lamb** in Rio de Janeiro

MR Antonio Cabrera, Brazil's agriculture minister, has alerted his European counterparts to a \$200m (£103m) beef export tax fraud by "an international gang".

The *scandal* involves Brazilian Agriculture Ministry officials, sanitary and tax inspectors, and trading agencies in *both Brazil and Europe.*

Mr Cabrera said that nine senior meat inspectors had been dismissed and three large meat exporters in São Paulo had had their export licences removed after a tax crackdown found that prime filet and rump steaks were being exported as low-grade sausage, resulting in lower tariffs.

*Mr Cabrera said: "Our estimate* is that this has been *occurring over* the last four to five years with tax losses to Brazil of at least \$200m and perhaps as much as \$300m." Within the next two weeks the ministry is to introduce tougher inspection standards.

According to Mr Cabrera "this must have been an international operation because the firms buying the meat in *Europe were receiving it* with the wrong documentation as something *much cheaper than* it really was". He said he had sent telexes to his European counterparts and police alerting them to the crime.

The fraud is an embarrassment for the Brazilians who have been hoping to have a ban on meat exports to the US lifted. The ban was imposed last year because of alleged inadequacy *of* Brazilian sanitary inspection.

The EC also issued a warning to Brazil, although it did not stop imports.

# Bielecki pledges free market policies and speedy privatisation

**By Christopher Bobinski** *in Warsaw*

MR JAN Krzysztof Bielecki, Poland's new prime minister, *promised free-market* policies and a speeding of privatisation in his first policy speech to the Sejm (parliament) at the weekend.

The 39-year-old business consultant and close associate of President Lech Walesa said his government would concentrate on the economy "to encourage those who still hope, and give hope to the doubters".

He outlined his cabinet, which should be approved later this week, once the candidates have been vetted by the Sejm committees. Mr Bielecki stressed that the holding of free elections for parliament was a priority. This means *that* the cabinet's time in office is to be numbered in *months, rather* than years.

*For the moment*, the prime minister's line-up leaves Mr *Leszek Balcerowicz*, the deputy premier responsible for the *economy*, in place and still heading the Finance Ministry. Mr Krzysztof Skubiszewski, the foreign minister, is also to stay.

Foreign policy, according to Mr Bielecki, will involve "intensive" co-operation with Germany, aimed at easing Poland's integration with the European Community.

Telecommunications, along with transport, energy and housing, are to be priority areas for the new government, while farmers were promised that food exports would be encouraged and barriers installed against "unfair foreign competition".

There are to be changes in the economic posts, with the privatisation ministry going to Mr Janusz Lewandowski, leader of the small Gdansk-based Liberal Democratic party. Mr Andrzej Zawislak, an academic specialising in management, also associated with the group, becomes industry *minister.*

Privatisation of small state-owned enterprises is to be speeded up, with the government *aiming to have* "everyone owning a part of the nation's property", while "*private* property and competition" were to be the keys to countering a recession, Mr Bielecki said.

Foreign trade is to be headed by Mr Dariusz Ledworowski, till now a deputy minister in the trade slot.

Mr Bielecki promised foreign investors full freedom to transfer profits abroad, and equal treatment with Polish companies.

He called on the west to "radically reduce Poland's foreign debt", which is set to reach \$50bn (£25.9bn) at the end of this year.

At home, the dominant role of the state-owned banks is to be reduced, as reforms of the financial system are to be accelerated, while Mr Bielecki reiterated that a stock exchange would be in place by the end of the year.

# Freed generals told by Menem to stay silent

**By John Barham** in Buenos Aires

PRESIDENT *Carlos Menem* of Argentina has demanded an *end to public statements* by the former generals he freed last week *from* prison, where they were serving lengthy sentences for human rights abuses.

Last week, three members of the military junta that ruled Argentina between 1976 and 1983 demanded a public vindication for the army's brutal repression of political opposition.

Mr Menem said that the former generals were "figures from the past and for as much as they live in the present they have lost political importance and their military rank, so there is no point in discussing the subject any *more.*"

He pardoned eight former *military officers* and a *former* terrorist leader to "close the wounds of the past."

*Opinion* polls however show that 68 per cent of the public reject the pardon. It is clear that granting it has come to be seen as Mr Menem's worst political error since taking office in July 1989.

In addition, far from subduing the army, which had insistently and violently demanded the release from prison of all officers, the pardon has exposed the government to *further* demands for new concessions.

A new campaign seems to be under way to force Mr Menem to lift a ban on the eight former generals' right to hold public office and incorporate them back into the armed forces.

There is also growing pressure from a *number of officers* who are demanding a recogni*tion of the army's* traditional role as a "factor of political power".

Instead of accepting the pardon as a gesture of national reconciliation, as Mr Menem had wanted, the armed forces have evidently seen it as a sign of weakness.

# Members agree to bury Comecon

**By Quentin Peel** *in Moscow*

THE nine member states of Comecon, the Soviet-led state trading bloc, agreed this weekend to dismantle the organisation and replace it with a far looser consultative and co-ordinating body.

The agreement falls short of the outright abolition of Comecon sought by Czechoslovakia, in particular, but it is clear the new body, to be called the Organisation for International Economic Co-operation, will primarily *perform* the task of undertaker.

"For me, this is the end of Comecon," Mr Vladimir Dlouhy, Czechoslovak minister of the economy, said after the meeting. "This new organisation exists for political reasons, just not to give a blow to the internal situation in the Soviet Union.

"We do not need it very much. Trade links can be handled on a bilateral basis. I would give it five or seven years' maximum life."

He agreed, however, that there were remaining organisational links, including the two Comecon banks (the International Bank for Economic Co-operation and the International Investment Bank), and ownership of the Comecon headquarters in Moscow, a prime office development on the banks of the Moscow river. Division of those assets had to be resolved.

> The agreement falls short of the outright abolition of Comecon sought by Czechoslovakia in particular, but it is clear the new body will primarily perform the task of undertaker

The new organisation should also strive to improve payments between member states, now transferred to settlement in hard currency at world market prices, he said.

A key problem for east European exporters to the Soviet Union is that the latter still maintains central control of hard currency, *with only a* tiny proportion in the hands of *individual importing enter*prises.

Mr Bela Kadar, the Hungarian minister for international *economic* relations, who chaired the executive committee meeting in Moscow, said the new organisation would be "in the first place, of a consultative nature, an informative organisation".

But it could still help to solve regional problems of infrastructure, including transportation, of environmental protection, and general economic questions.

Its initial budget will be only Roubles 6.8m (£6.8m at the official exchange rate).

Even Mr Stepan Sitaryan, the chairman of the Soviet state committee for foreign economic relations, and deputy prime minister, admitted that the old organisation "has exhausted itself, and does not meet the present social and economic conditions of the member countries".

However, he insisted that "the economic space developed has become a reality. We cannot break it or reject it. That would not be useful for any member country."

Mr Dlouhy said that the new organisation would also deal with residual questions of customs regulations, tariffs and quotas, and with developing relations with other international organisations, including the European Community.

He told the meeting that Czechoslovakia's prime concern was to become integrated into "west European economic groups."

*However, the* process was likely to take a decade. "Within this time we think it is reasonable to set up an organisation for regional economic co-operation."

# Brazil and Argentina aim to woo foreign investors

## They want to show how serious are their pro-western policies, writes **John Barham in Buenos Aires**

DEBT CRISIS and *democracy* ended *one* of the world's least-publicised arms races a decade ago. Brazil and Argentina, whose rivalry created one of the developing world's more worrying arsenals, have since become close allies.

Now they want to convince a *suspicious* world that their military and nuclear hardware will never be used for war. As a demonstration of their good faith, they are throwing secret nuclear facilities open to outside inspection for the first time.

They hope to overcome western *alarm about the* proliferation of weapons of mass destruction in the Third World, strengthen democracy and advance their unsteady progress towards economic integration.

*On November 28, Presidents* Fernando Collor of Brazil and Carlos Menem of Argentina ceremoniously vowed never to build atomic weapons, and announced they would negotiate broad international safeguards for all their nuclear installations.

Successive military-dominated governments in both countries had angrily rejected controls, embarking instead on a *ruinously expensive race to* acquire military and nuclear hardware.

Mr Collor has admitted that previous Brazilian governments planned to develop an atomic weapon, although Argentina is considered to have come the closer to building a bomb.

Argentina, the home of Latin America's most violent army, is particularly keen to reach a far broader military accord with its neighbours. An Argentine diplomat said: "There is a correlation between *militarism*, mutual hostility and dictatorship.

"The armed forces used external and ideological threats as pretexts for coups d'état. We want to strengthen democracy by reducing hostility and providing our armed *forces with a* new, more professional role."

The arms race gave way *to* growing co-operation after Argentina reverted to civilian rule in 1983 and Brazil in 1985. Now Brasilia and Buenos Aires plan to create a common market by January 1995.

A Brazilian official said: "We want to demonstrate that we are serious about integration and co-operation by extending it to the most sensitive questions, like nuclear energy". For that reason, officials say, nuclear co-operation will be the touchstone of integration between South America's largest nations.

*At their November meeting* Mr Collor and Mr Menem announced a broad *mutual* inspection mechanism that would open the way for an accord with the Vienna-based International Atomic Energy Agency (IAEA). It would also enable them fully to implement the Tlatelolco Treaty, which bans nuclear weapons in South America.

> **Two of Latin America's biggest neighbours want to convince a suspicious world that their military and nuclear hardware will never be used for war**

Neither country can afford the huge cost of its nuclear establishments. Brazil has one nuclear power station and Argentina has two, but all three of them are plagued by constant operational problems, and ambitious plans for a network of nuclear plants have been scrapped.

Secret enrichment and reprocessing facilities in Brazil and Argentina are to come under full civilian control. None the less, the Brazilian navy still plans to launch a nuclear-powered submarine by the year 2000.

Mr Menem and Mr Collor *hope the industrialised world* will lift an embargo on high-tech exports, imposed *to* prevent proliferation of nuclear weapons and missile systems.

They also hope to win the confidence of foreign investors by further demonstrating the seriousness of their pro-western *foreign policies* and pro-business economic policies.

Significantly, the ceremony took place only days before President George Bush visited Brasilia and Buenos Aires. The US has now promised to release sophisticated IBM computer equipment to Brazil for use in oil exploration and civil aircraft design.

However, the two are demanding some changes in nuclear controls. Argentina in particular wants regulations revised to protect its industrial secrets in the fiercely competitive nuclear industry.

Both countries continue to denounce the Nuclear Non-Pro*liferation Treaty (NPT)*, which they say the industrialised world uses to deny them economically useful technology.

A Brazilian official said: "The NPT gives nuclear countries all the rights, but non-nuclear countries have all the obligations and suffer all the *restrictions*".

Argentina and Brazil are also winding down their missile projects and may begin co-operating on new uses for missile technologies.

Argentina has halted its Condor II intermediate-range missile, developed with Egypt, Germany and Iraq. Brazil's progress on a similar system has been hampered by tight budgets.

Western nations, invoking the Missile Technology Control Regime, had embargoed sales of "sensitive" technologies to delay these missiles' deployment. Now, the US has promised to help Argentina find non-military applications for its missile technologies.

Mr Menem has also asked western governments for advice on how to reinforce civilian control of the armed forces. American officials suggest that the discredited and demoralised military specialise in peace-keeping missions, emulating the Nordic countries.

Mr Menem took their advice and despatched two warships to the Gulf in September. Two months later, Argentina suffered its fourth mutiny since 1987.

*That is why Mr Menem is so* anxious to find a constructive *new role for his armed forces.* Mr Domingo Cavallo, Argentina's foreign minister, is trying to interest his neighbours in a regional security pact that would keep the generals out of politics and busy with non-threatening duties, such as protecting the environment and *stamping out drug trafficking.*

However, *Mr Cavallo will* not find it easy to sell the idea to other governments, since Argentina's military have already said they will not stoop to police work.

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Victor Mallet on Iraq's view of the conflict

# Further gesture likely from Baghdad

THE main problem for those who favour a compromise with Iraq in order to avoid war in the Gulf is that Baghdad has so far shown little public indication of wanting to compromise.

President George Bush, in other words, is not the only man to have obstructed linkage between an Iraqi withdrawal from Kuwait and a resolution of the Arab-Israeli dispute.

Although Iraq has paid lip service to the Palestinian cause and to linkage between the two issues, it has publicly and defiantly expressed its *determination to stay in* Kuwait in perpetuity – a contradiction which seems to make nonsense of any deal *suggested so far by* wavering members of the multinational alliance.

President Saddam Hussein did it again only yesterday, saying that the "return" of *Kuwait to the Iraqi motherland* was a reality "for the present and the future".

When asked about possible *Iraqi concessions, Mr Saddam's* ministers repeatedly refer to his opportunistic "linkage" proposal of August 12; even this, which was designed to soften the unexpectedly fierce international reaction to his invasion, only hints obliquely at an eventual withdrawal.

It calls for an immediate Israeli withdrawal from occupied territory in "Palestine, Syria and Lebanon", a Syrian withdrawal from Lebanon, and only then for "the formulation of arrangements for the situation in Kuwait" on a similar basis.

The Iraqi leader also called for the withdrawal of US forces from Saudi Arabia and the lifting *of all sanctions against* Iraq.

As it stands the Iraqi position is unlikely to be taken *seriously by the US*, but it would be characteristic of Mr Saddam to make a further gesture in the next few days, either to confuse his opponents or because he realises that a war – however damaging in the long term to western interests in the Middle East – would be disastrous in the short term for his own regime.

To be credible such a gesture, whatever demands it contained, would have to include an actual or promised withdrawal from Kuwait, whether partial or complete.

It may be significant that the Palestine Liberation Organisation – effectively one of Iraq's allies – *suggested* in a recent radio broadcast that Iraq *should stage a partial pullback* to deprive the multinational forces of an excuse to attack.

It would not be impossible for Mr Saddam to announce a withdrawal a few hours after declaring his determination to keep Kuwait in perpetuity.

The Iraqi president has created an extraordinarily effective police state where dissidents are killed, and unlike Mr Bush he is not buffeted by public opinion or an independent Congress; on August 15, desperate to secure his eastern flank as the confrontation with the US developed, he made a U-turn and capitulated to all Iranian demands arising from the 1980-88 Gulf war.

If Iraq were to concede at least the principle of a withdrawal from Kuwait, it could immediately draw on the sympathies of those who argue that *Arabs have as much right* to lethal weapons as Israelis; and that UN Resolution 242 (the 1967 measure urging an *Israeli* withdrawal from occupied Arab land in exchange for peace) should be implemented as forcefully as Resolution 678 of 1990, which authorises the use of force to drive Iraq out of Kuwait.

Most Iraqi demands, however, are seen in the west as face-saving devices to persuade Mr Saddam to withdraw with some of his dignity intact, instead of fighting a war.

In particular, the German and French offers of democracy in Kuwait have held little real attraction for Iraq since its army discovered that not a single Kuwaiti was prepared to collaborate publicly with the Iraqi forces, however much opposition there may have been before to the ruling Al-Sabah family.

In any case neither Germany nor France are likely to have much influence over the political life of a future Kuwait, nor have they explained why they are offering Kuwaiti democracy to what is arguably the most undemocratic regime in the world.

Whatever concessions Mr Saddam announces, he is unlikely to be believed by a sceptical Washington unless he puts his promises into effect immediately.

THE GULF

View from Washington

# No negotiations and no compromises, Bush promises

By Peter Riddell, US Editor

THE Bush administration has limited public expectations of Wednesday's meeting between Mr James Baker, the US secretary of state, and Mr Tariq Aziz, the Iraqi foreign minister.

As President George Bush pointed out in a weekend radio address: "Secretary Baker will restate, in person, a message for Saddam Hussein – withdraw from Kuwait unconditionally and immediately, or face the terrible consequences."

There will be, according to the White House, "no negotiations, no compromises, no attempts at face-saving and no rewards for aggression".

The meeting, a modification of the earlier US call for direct contacts in Washington and Baghdad, is being seen as a means both of reassuring domestic American opinion that Mr Bush is "going the extra mile for peace" and of ensuring that the unity of the coalition is not undermined by a series of separate diplomatic initiatives, such as the European Community offer of talks with Mr Aziz.

Both Mr Baker and Mr Brent Scowcroft, the president's national security adviser, yesterday presented the meeting as a last chance of delivering the message that the US is serious about its threat to use force to eject Iraq from Kuwait unless there is full compliance with successive United Nations resolutions requiring complete withdrawal.

They were at pains to stress that there will be no private deals or understandings. While there have been unconfirmed suggestions that Mr Baker has been keener on pursuing talks than the White House, he yesterday sought to avoid the impression that the Geneva meeting would be the start of a process of negotiations.

He unequivocally ruled out any subsequent meeting in Baghdad on the grounds that this would be too close to the January 15 UN deadline and would allow Mr Saddam scope for manipulation.

By insisting on unconditional Iraqi withdrawal from Kuwait and no reward for aggression, Mr Bush is leaving President Saddam with little room for manoeuvre.

The only assurances the US will offer is that Iraq will not be attacked if it complies with the UN resolutions. Moreover, after withdrawal there can be talks between Iraq and Kuwait about the disputed territories. The long-standing Palestinian question must also be addressed, though there can be no linkage between the current crisis and any eventual Middle East peace conference. However, Mr Bush admitted on Friday that "we can't tell anybody what he can bring up at a discussion."

While US officials are taking an uncompromising view of the Geneva meeting and are pessimistic about the chances of an early diplomatic breakthrough, there are several possible complications. First, if the Geneva talks merely involve a re-statement of familiar positions, and are seen as having failed, will the unity of the coalition be undermined by any revival of separate EC talks with Baghdad?

Second, if Iraq appears to be shifting, however slightly and uncertainly, can Mr Bush be seen to dismiss further discussions, including a visit to Baghdad by *Mr Baker*?

Third, if at the last minute, next weekend, Mr Saddam promises at some date to withdraw from Kuwait, will the coalition become divided, with many European countries eagerly grasping the offer and the US standing back and insisting upon immediate completion of withdrawal?

Amid the current flurry of diplomatic activity, Mr Bush believes he can only secure a peaceful solution by sticking absolutely to the US's often-stated objectives and by not hinting at any compromise.

View from Paris

# Saddam could win with ease – without necessity of war

By Ian Davidson

WITH nearly a week to go before the UN deadline, and two days before the meeting between Mr James Baker, US secretary of state, and Mr Tariq Aziz, his Iraqi counterpart, the world seems poised on a knife-edge between war and peace. But the nature of the bargaining process is such that President Saddam Hussein has a range of options for winning hands down, if he chooses to take them.

Mr Baker insists the purpose of his meeting on Wednesday is not to negotiate with the Iraqi foreign minister, but to impress on him the disastrous consequences for Iraq of its present policy. For their part, the European Twelve sought a separate meeting with Mr Aziz, but were rebuffed.

The French presidency has insisted that last week's visit to Baghdad of Mr Michel Vauzelle, chairman of the foreign affairs committee of the National Assembly – who arrived unexpectedly in Tunis yesterday – was an entirely private and unofficial initiative, *without a message or a mandate* from the French government.

But no one believes these *disavowals, since it is obvious* the Americans and Europeans are desperately anxious to find an alternative to war. If these *meetings are not negotiations*, or at least signals of an ulterior readiness to negotiate, it is hard to see their purpose.

*Unfortunately, the UN* coalition now hangs together only through the dialectic between two absolutes: total Iraqi withdrawal *from* Kuwait, or war. Western governments insist in public that there can be no negotiation and no compromise, not just because the absolute dialectic is legally unquestionable and politically simple, but even more because they dare not admit the existence of other, intermediate, options since these would make international consensus impossible to sustain.

But the cohesion of the UN coalition on the basis of its absolute dialectic has only been made possible by the equal and opposite absolutism of Mr Saddam.

It is only his insistence that he will not surrender an inch of Kuwait, and that it will remain the 19th province of Iraq, which has sustained the unity of the UN coalition, and indeed has driven the ratchet of successive UN Security Council resolutions ever closer to war.

If Mr Saddam were to move slightly away from his absolute position, he would immediately make it virtually impossible *for the UN coalition to sustain* the war option. After his 4½-hour meeting with Mr Saddam last week, Mr Vauzelle said everything was possible, "provided Iraq makes certain gestures".

Just what "gestures" Mr Vauzelle had in mind, he did not specify, and he obviously does not speak for President George Bush. But his words are a long way from the official dialectic of absolutism holding the international coalition together.

Even without budging on the question of Kuwait, Mr Saddam has already secured significant conciliatory gestures from the west, including offers of a range of international conferences to settle long-standing Middle East problems. If he were now to make an appreciable 11th-hour move on Kuwait, it seems almost a foregone conclusion that the world would shift from confrontation to negotiation.

How big a move he needs to make, to blow away the threat of war, is hard to appreciate. His chief material and strategic *interest is to hang on to the* islands and some of the oil fields. But perhaps all he needs to do, to precipitate the transition *to a negotiation process*, is to *start* to move out of part of Kuwait, without committing himself in advance how far he *is prepared to go*.

Western governments insist repeatedly that there can be no compromise over the degree of *Iraqi withdrawal*. Even the French government, often suspected of softness, is officially categorical on this point. But they protest too much. Once Mr Saddam started to withdraw even from part of Kuwait it seems self-evident that the stuffing would be knocked out of the war option.

The US administration may wish the Iraqis to believe that it is made of sterner stuff, and capable of clinging to the dialectic of absolutes through thick and thin. But few European governments are likely to sound convincing in a bellicose mode if Mr Saddam makes the minimal "gestures". And if there could be a greater disaster for the US than a war in the Gulf, it would be a war in the Gulf from which most European governments dissented.

None of this amounts to a forecast that we shall move from the "logic of war" to the messy logic of negotiation. Mr Saddam may not perceive the options, he may not like the options, he may think he can out-face the world *without* having to out-manoeuvre it. But if he wanted to, he could win hands down, without having to *face a war*.

View from Bonn

# Genscher offers free elections in Kuwait

By David Marsh

MR Hans-Dietrich Genscher, the German foreign minister, has held out to Iraq the prospect of free elections in Kuwait and possible replacement of the ruling al-Sabah family once the Iraqi army withdraws from the country.

Mr Genscher submitted proposals along these lines, together with an offer of diplomatic efforts to solve the Palestinian question, in contacts during the Christmas holiday with Mr Abdul-Jaber Omar Ghani, Iraq's ambassador to Bonn.

Mr Ghani, who has returned to his post in Bonn in recent months, is a general who was in Kuwait in August playing a *key role in co-ordinating Iraqi* operations there.

Mr Genscher's suggestion of a "democratic" government in Kuwait, which Bonn believes would probably lead to the ousting of the ruling family, makes his stance less hardline *than the positions adopted by* the US and Britain.

News of the Genscher overture came as 18 German air *force Alpha jet fighters flew* yesterday from their base in Oldenburg in north Germany to eastern Turkey. They will be deployed there with 24 other fighters from Italy and Belgium as a Nato contribution to deterring Iraqi aggression.

The send-off from Oldenburg, which has been strongly criticised by the opposition Social Democrats, was accompanied by protests from 300 anti-war demonstrators.

Mr Genscher is sticking to the terms of the UN resolution calling for withdrawal by Iraq from occupied territory and a restoration of Kuwaiti sovereignty. But the German foreign minister is also putting maximum effort into trying to head off a war.

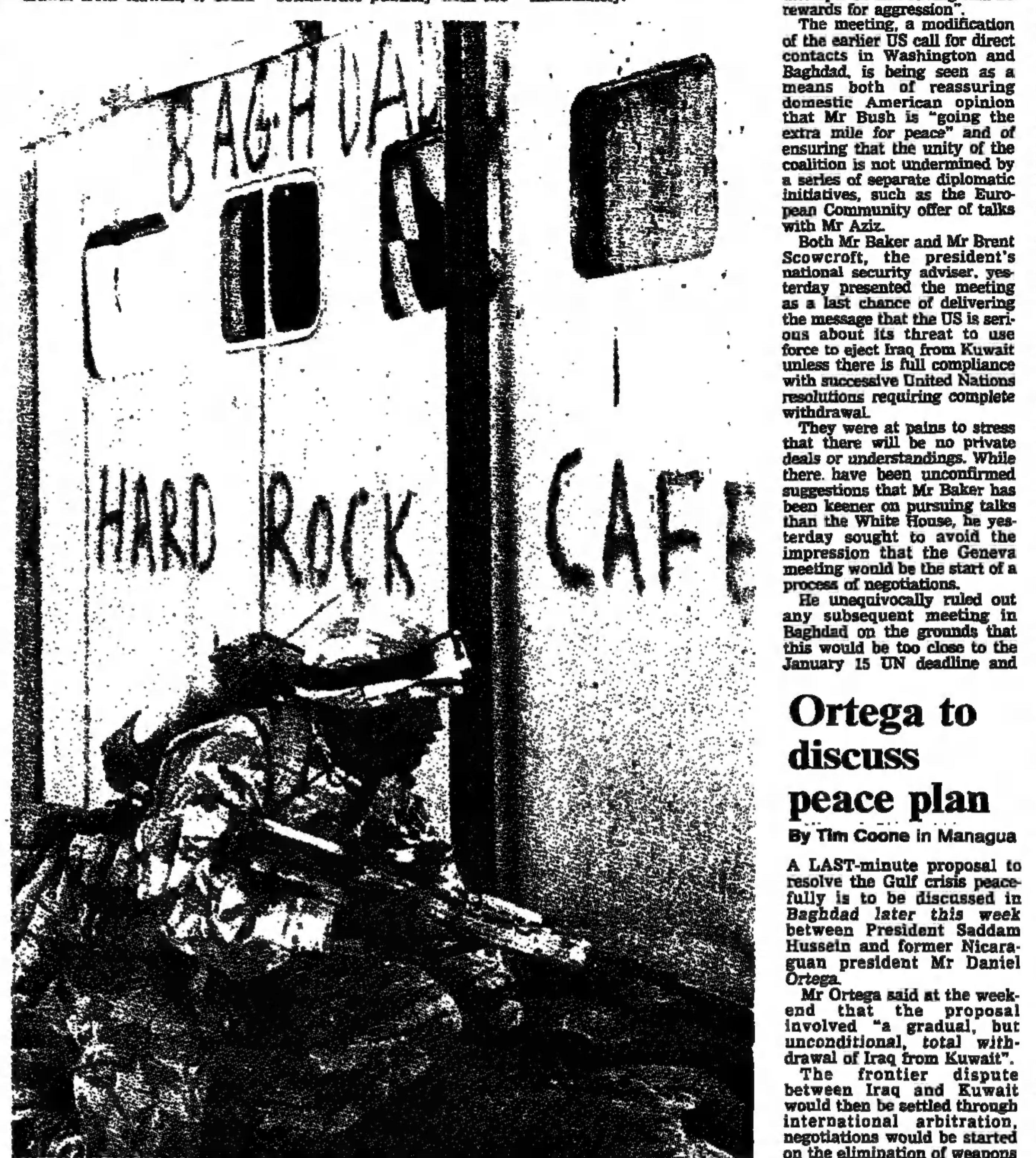
He will meet Mr James Baker, US secretary of state, and King Hussein of Jordan in Bonn tomorrow. During the holiday period Mr Genscher held telephone conversations with Mr Baker, along with several counterparts from other European countries and Prince Saud, the Saudi foreign minister.

Mr Genscher has also been trying to exploit contacts with the Yugoslav government, which enjoys good relations with Baghdad.

A Bonn Foreign Ministry *spokesman said yesterday that* Mr Genscher met Mr Ghani at least once during the holiday period. He could not confirm a German newspaper report that the minister received the Iraqi ambassador no less than four times at his house in Pech, just outside Bonn.

In his repeated statements on the Kuwaiti crisis, Mr Genscher has stopped short of backing a return to rule of the Al-Sabah family. In a speech to the Bundestag in November he called for free elections in Kuwait after the ejection of Iraq.

Mr Genscher has also backed the idea of an international conference to solve the Palestinian problem.




A British soldier crouches alongside a hut set up in the Saudi desert for combat training

# MoD to liaise with editors on framework for press coverage

By Alice Rawsthorn

THE UK MINISTRY of Defence will today meet national newspaper editors to discuss proposals for press coverage in the event of a Gulf war, amid mounting criticism of the *MoD's slow progress in finalising* media arrangements.

Last week Mr Tom King, the defence minister, met senior *editors from the* BBC, ITN and British Sky Broadcasting to consider plans to co-ordinate and regulate television coverage of the possible conflict.

The MoD yesterday confirmed that the possibility of subjecting all television pictures sent from the Gulf to military veto had been discussed. However, it said, no final decision had yet been made.

Today's meeting will try to thrash out a framework for newspaper coverage. The subjects under discussion are likely to include the mobility *of journalists in the Gulf, the* level of access to servicemen and the vetting of photographs.

*The MoD may also announce* that it has secured a number of visas for British journalists to go to Saudi Arabia to cover the *Gulf crisis. The Saudi government* stopped issuing visas to journalists in November.

For some weeks disquiet has been growing among journalists about the ministry's tardiness in making plans for media coverage in the event of war. Other governments, notably the US, have made more rapid progress.

The MoD envisages using the existing draft arrangements for media coverage of military conflicts as the basis for its co-ordination of journalists in the Gulf. The draft arrangements were drawn up after the Falklands conflict, when the ministry was heavily criticised for its handling of the media.

These arrangements are now being adapted to meet the *different requirements of a Gulf* war. Organising media coverage in the Gulf would be much more complex than for the Falklands.

This is partly because more journalists are likely to be in the region, which is more accessible, and partly because a Gulf war would be spread across a larger area. The Falklands war was conducted in a clearly defined area and the MoD could control access.

Journalists in the Gulf are likely to be based in specific centres, such as Riyadh, where *the MoD has already established* a media unit. Small groups of journalists, called media response teams, would *be taken out to particular* areas of conflict. They would then return to the centre to pool their information and brief their colleagues.

# Ortega to discuss peace plan

By Tim Coone in Managua

A LAST-minute proposal to resolve the Gulf crisis peacefully is to be discussed in *Baghdad later this week* between President Saddam Hussein and former Nicaraguan president Mr Daniel Ortega.

Mr Ortega said at the weekend that the proposal involved "a gradual, but unconditional, *total* withdrawal of Iraq from Kuwait".

The frontier dispute between Iraq and Kuwait would then be settled through international arbitration, negotiations would be started on the elimination of weapons of mass destruction in the Middle East and the UN Security Council would be pressed "to deal with the issue of the Israeli-occupied Arab territories with the same vigour that it has dealt with the Gulf crisis," he said.

According to Mr Ortega, the proposal has the support of King Hussein of Jordan, President François Mitterrand of France, and Col Muammer Gadaffi, the Libyan leader. *It* offered a face-saving solution to the crisis, by not formally linking Iraq's withdrawal *from Kuwait* to the other issues but by opening up the possibility of a subsequent negotiation process.

"Withdrawal is unconditional," he insisted.

Mr Ortega departed for New York yesterday where he is to meet Mr Javier Pérez de Cuéllar, the UN secretary-general. He is then scheduled to meet King Hussein of Jordan, the Iraqi foreign minister and representatives of the EC in Amman tomorow and Wednesday.

He will then go on to Baghdad to meet *Mr Saddam* on Thursday, five days before the UN Security Council deadline expires for Iraq's withdrawal from Kuwait.

# Freighter hits mine in Gulf

A CYPRIOT-FLAG freighter *hit a mine near the Strait of* Hormuz yesterday, but it is unclear if the blast means Iraq is sowing new mines in the *Gulf, Reuter reports from* Dubai.

The Greek Merchant Marine Ministry in Athens said the *6,514-tonne Demetra Beauty* hit a mine in the Gulf of Oman about 120 miles from the Strait of Hormuz.

*"The ship was hit in its* engine room and is slowly sinking. The crew is safe and was picked up by the Omani coast guard," it said.

Lloyds Shipping Intelligence reported unconfirmed information from Saudi Arabia that another mine caused damage to an unmanned offshore oil rig in the Gulf south of Kuwaiti waters.

## Lebanon attack

Israeli jets destroyed a base of a Syrian-backed Palestinian group in south *Lebanon* yesterday, wounding five guerrillas, security sources said, Reuter reports from Sidon.

They said two jets fired 16 rockets into a three-building complex operated by the Popular Front for the Liberation of Palestine (PFLP) in the village of Majdelyoun, east of Sidon.

## Rushdie protest

Iranian radicals challenging Tehran's more pragmatic leaders are mounting an increasingly strident anti-British campaign over author Salman Rushdie's controversial book The Satanic Verses, Reuter reports from Nicosia.

Shouting "Death to Britain" and "Death to apostate Salman Rushdie", about 500 university students demonstrated outside *the British embassy* in the Iranian capital yesterday demanding the release of an Iranian student held in Britain.

# Aziz urged to reconsider rejection of EC talks

By David Buchan in Brussels

THE European Community yesterday urged Mr Tariq Aziz, the Iraqi foreign minister, to reconsider his refusal to talk next week to EC representatives.

Mr Aziz's unexpected refusal to go from his agreed meeting with Mr James Baker, US secretary of state, in Geneva on Wednesday to Luxembourg the following day to meet three EC foreign ministers disappointed officials. It is being read as a sign that Iraq may be interested only in a public confrontation with the US this week, and not serious negotiation.

On Saturday the Iraqi Foreign *Ministry said Mr Aziz* was declining the invitation of talks in Luxembourg, offered by EC foreign ministers on Friday. It said *this was because* European policy was dictated by Washington and the Community had behaved badly by effectively retracting in December an invitation for EC-Iraqi talks, after the US and Iraq had failed to agree a timetable for their own talks.

If the Europeans wanted a dialogue, "we would be happy if they came to Baghdad," the ministry said.

Mr Mark Eyskens, Belgium's foreign minister, said yesterday that Iraq would have to "take the consequences" of its refusal to meet in Luxembourg. The EC was not going to let itself be humiliated to the point of travelling to the Iraqi capital.

The minister summed up widespread European surprise at what he called Baghdad's "mistaken appreciation" of the EC position.

While the Community strongly backed the US in demanding fulfilment of United Nations' resolutions, it also realised because of "its long-standing and close relations with Arab countries", the need *to resolve other crises* in the Middle East, such as the Palestinian issue, he said.

# Air-medical reservists just want to get it over and done with

By John Authers

RESERVISTS from the Royal *Auxiliary Air Force have assembled* for Gulf duty, which could include flying casualties to the UK in Hercules transport aircraft.

The *Ministry of Defence yesterday* confirmed that contingency plans have been made with regional health authorities for beds to be made available in the UK.

Squadron 4626, which handles aeromedical evacuation, was formed in September 1983, and has not been called up for action before. The vast majority of its 135 members have never experienced military service.

Many come from civilian medical backgrounds, but the squadron also includes a company director, a postman, secretaries, and a village stone*mason from North Wales. More than* half are women.

In the week before they leave, their refresher training at RAF Hullavington, *Wiltshire, will also cover treating* patients wearing nuclear biological and chemical (NBC) suits.

This complicated manoeuvre, which the volunteers demonstrated on Saturday, involves covering the suit first with fuller's earth.

The "earth" is treated to disinfect against radioactive fall-out and chemical weapons. Most of it, ironically, is based on sand from the Saudi Arabian desert.

Volunteers then need to cut the suits open, almost a surgical operation in itself, before treatment can start.

The reservists need to wear NBC suits themselves. They have all done this before, but not in the high temperatures expected in Kuwait.

Duties include assessing casualties' fitness to fly, evacuating from the battlefield to mobile hospitals, and tending patients while they are in transit. The squadron also expects to make shuttle flights, taking victims back to the UK for hospital treatment.

Most of the equipment needed is already in position in north-east Saudi Arabia, and an advance party of about 10 will leave on Wednesday. The rest of the squadron will follow at the end of the week.

The call-up has caused some drastic changes in domestic arrangements. Two reservists brought forward their weddings to Thursday, the last possible date. Among those flying are a mother and son, and two married couples.

None of the reservists seemed happy to be going, although there were no complaints. Apprehension was greatest among those without a military background.

Miss Amanda Tolman, a nurse from the casualty department at Westminster Hospital, said the possibility of being called up to war has not been in her mind at all when she signed up. She enjoyed serving in the squadron because it gave her more opportunities to play hockey and squash.

"It was the not knowing which was the worst bit - only knowing on Thursday. I just want to get it over and done with, really. I'm not married, but I haven't seen my mum yet."

Mr Richard Gregorczyk, a stonemason from North Wales, said he had joined for a hobby, and the possibility of going to war had not occurred to him. "I don't think there's much fear within us, but there are mixed emotions. It's like a bad dream. Those of us with families bear the greatest burden."

But Mr Chris Hopkins, whose wife, Joy, is also in the squadron, said he was less apprehensive than when he was on duty in Northern Ireland.

## INTERNATIONAL NEWS

# Securities firms look across borders

**Richard Waters** on how bankers and brokers are preparing for battle

THE banks and brokers which dominate the European securities business are preparing for battle. While some securities markets – *notably the telephone market for eurobonds*, based in London – have long had a strong international character, others remain parochial, in thrall to local cartels.

*Change is is now in the air. It is coming* from two directions: the gathering wave of deregulation that has been washing across the continent's financial centres since the mid-1980s, and the coming of *the EC's internal market*. The 1992 bandwagon has created a surge of interest in cross-border investment from the institutions which act as the guardians of mass capitalism – the *mutual funds*, pension funds and others which dominate international investment.

Against this background, the intermediaries who service the flows of international capital – *the banks and brokers*, and the exchanges through which they transact their business – have been largely slow to respond.

National exchanges have only recently begun *to look for ways to* break down the barriers between them to create better ways for investors to trade across borders. Meanwhile, the banks and brokers, many of which *continue to rely on a large share of business* in their domestic markets, are beginning to explore ways of securing their places among the handful of intermediaries which could eventually dominate *European share trading and distribution*.

The resolution of two current debates will determine the outcome. These are over the regulations to cover the EC's open investment market, enshrined in the *planned* directives on investment services and capital adequacy.

The planned Investment Services Directive was stalled in the dying days of the *Italian* presidency of the EC, and now needs a kick-start to break a deadlock. On the one side, the French, Belgians, Spanish and Italians argue that all securities business should pass through recognised *national exchanges, to give investors* (particularly personal ones) the highest level of protection.

No business should be conducted off-market – or if *it is*, investors should give *express permission* for their dealing to bypass the organised markets (the latter was a compromise floated towards the end of last year).

Opposing them, the British, Germans and others say there is no need to limit trading in this way, and that investors would suffer from the built-in inefficiency of being forced to deal through monopoly institutions. *Critics of the French-led camp* have claimed its adherents are inspired by protectionism.

According to this view, the Paris authorities are motivated mainly by a desire to seize business back from SEAQ International, a telephone market in London set up five years ago which has won a large share of the business in leading continental European stocks (as much/as a third of *the trading in some* French and Italian shares is handled in London, and a sizeable chunk of the business in leading German and other stocks).

However, the argument over the *directive* goes much deeper than this. At issue could be whether European share trading should becomes the preserve of a handful of banks, or whether it is opened to a wide *range of intermediaries*. Seen from this perspective, it is the French who are fighting against protectionism. The intrusion of


national pride, the egos of established stock markets and the fight among financial centres for leadership in Europe all help to complicate this picture.

*Off-market trading favours institutions* which already have a big market share. Smaller competitors and other outsiders suffer from being excluded from much of the trading done. *This in turn strengthens the position of the* market leaders. The eventual effect is to fragment a central stock market, breaking it into a small number of proprietary markets.

*The result:* an internalisation of stock markets into a small number of banks. This, according to some observers,is the direction in which securities business is inexorably moving. At present, European securities business *is delicately poised*. In countries such as Germany, a handful of banks dominates securities trading. These institutions are able to harness powerful in-house fund management arms to feed *their brokerage business*.

In Paris and London, this tendency has yet to take hold – though observers of the Paris market believe it is fast following the German model, driven by the desires *of leading banks to ape their German* counterparts. London, by comparison, remains largely open – the fund management arms of integrated securities houses guard their independence jealously, rather *than channeling* all their business to in-house brokers.

The leading London-based securities firms would be among the main casualties if other *national markets become* closed, a factor which prompts some of them to question the fervent opposition of the British authorities to the French proposals for the Investment Services Directive. "They *are being a bit blinkered*, coming at it just from UK practice," says an executive in a leading London house. Another, Mr James Ferguson, joint chief executive of James *Capel, predicts* that the internalisation of securities business will continue to hold back the internationalisation of the intermediaries involved in the business.

Commenting *on the tendency for fund* management business to be kept in-house, he says: "That integration will not lead to the development of pan-European securities houses."

*Some* internationally-minded houses have already established strong brokerages outside their domestic bases – such as the acquisition by the British Warburg *Securities of a leading Paris* broker, Bacot-Alain. The opening up of national stock market cartels is aiding such acquisition. But these brokerages could remain outsiders, cut off from the fund management *business of the local banks*.

Seen from this perspective, dominance of the European securities business will only come from alliances among existing strong *national houses*. Such liaisons, expressed in cross-ownership, are just beginning to develop.

A second EC directive will also play its part in determining the outcome. This is *the Capital Adequacy Directive for non-bank* securities firms. Many non-bank firms fear that, by imposing more stringent capital requirements on them, the directive tacitly favours banks. It has yet *to be finalised: when it is, the rules will be* carefully pored over by securities houses keen to discover whether they have an independent future outside the banking community.

*Meanwhile, big plans linked to the EC's* internal market are fast becoming less important to many securities houses than a more pressing question: how to survive in markets which, *since last August*, have seen a *sharp fall* in the volume of business.

The Iraqi invasion of Kuwait signalled a significant downturn in trading on most national markets. At the same time, the capital crisis that has hit many banks around the world – though leaving Europe's leading banks better off than most – will further test the will of these institutions.

"Very few people have *cut back yet* on their grandiose 1992 plans," says one securities house with grandiose plans of its own. The coming year is likely to reveal which institutions simply do not have the *stamina to make a play for a strong* position in European securities trading.

# Emergency supplies bound for Ethiopia

A SHIP loaded with emergency food supplies destined for the *famine-stricken Ethiopian* provinces of Eritrea and Tigray left the Red Sea port of Djibouti yesterday, Julian Ozanne reports from Djibouti.

The two-day voyage to the rebel-held Eritrean port of Massawa marks a breakthrough in attempts to save an estimated 4m people at risk from starvation in a region hit by civil war and almost total crop failure.

The shipment of 10,000 tons of wheat, fuel and patrol vehicles will be the first to arrive through *Massawa since* the Eritrean People's Liberation Front (EPLF) overran government troops in the port last February and scotched a UN plan to use the *port for* emergency famine relief.

The UN Food and Agriculture Organisation estimates 750,000 tons of food aid will be needed in the first eight months of 1991 to prevent widespread death from famine in Eritrea and Tigray.

An Ethiopian woman working in fields near Wukro

# Djibouti plays large role in Gulf build-up

By Julian Ozanne in Djibouti

ONE *of Africa's micro-states* is playing a disproportionately significant role in the military build-up in the Gulf. For years pro-western Djibouti – *population* 500,000 including refugees – and its modern port has been an important refuelling stop *for ships* patrolling the Gulf. The French have also maintained a 4,000 troop presence since independence in 1977.

The numbers of British, American, French and Italian warships, either bound for the gulf or returning home, *stopping* at the port has more than quadrupled in the past six months to between 20-30 every four weeks *to take on supplies* of fuel water and fresh food.

The United States is also using *Djibouti's* airport to fly P3 maritime reconnaisance aircraft over the Gulf.

According to one western *diplomat Djibouti is also* seen an important back-up for the blockade of the Gulf of Aqaba.

For Djibouti the Gulf conflict is a mixed blessing which the government is trying to exploit.

While the government complains the Gulf crisis has cost them $200m, there are signs of economic benefits flowing into the country. Moderate Arab states, *led by* Saudi Arabia and Kuwait, *have promised* Djibouti an initial $40m assistance for its sturdy position on the Gulf crisis, of which $20m has already been given.

# Peking protesters sentenced

By Peter Ellingsen in Peking

A PEKING court has handed out relatively lenient sentences to nine people, at least six of them students, found guilty of minor offences during pro-democracy demonstrations in 1989.

Two of the nine "repented" and were exempted from further punishment, while seven others received prison terms of between two and four years, the official New China News Agency (NCNA) said.

Although four of those jailed were on the Communist party's most-wanted list following the *brutal* crushing of the movement by the army on June 4, none was among the high-profile figures said to be behind *the uprising* and targeted by the government for harsh penalties.

Of the four on the list, Wang *Youcai, general secretary of* the Peking Autonomous Students Federation, received the most severe penalty, of four years.

Two others on the list of 21 most wanted student activists, Zhang Ming and Ma Shaofang, were imprisoned for three years. Zhang, a 24-year-old engineering student from Peking's *Qinghai* University, was arrested in September 1989, while Ma, 25, of Peking Film Academy and a close *friend* of exiled *student leader* Wu'er Kaixi, reportedly surrendered to police in June.

The fourth on the most-wanted list, Zheng Xuguang, 20, a member of the autonomous students federation, was caught trying to flee in Guangzhou in August 1989. He was jailed *for two years*.

In a move that diplomats *believe is new to China*, all four will have the time already spent in prison deducted from their jail sentences.

The *NCNA said the nine* were prosecuted in public, but there is no independent confirmation of this.

*NCNA said the accused were* defended by relatives or lawyers, and made confessions, denials and other statements before being convicted.

"The court, after hearing and cross-examining evidence of the cases separately, decided *that* some of the accused were guilty of inciting subversion against the people's government, and the overthrowing of the socialist system," the agency said.

"Some were found guilty of organising and directing the stopping of, and attacks against, armed forces enforcing martial *law* and performing duties of safeguarding social and public order. Others were guilty of assembling crowds to disturb public traffic and seriously undermine public order. Their actions violated the country's criminal law."

NCNA said those convicted could appeal to the Peoples' Court within 10 days, but analysts said this was an unlikely option as all Chinese courts were guided by the policies of the *Communist party*, which has branded anti-government marches and sit-ins a criminal rebellion.

Diplomats said the leniency in the trials, among the first involving 1989's democracy movement, was not surprising. "The real *test is* when those with a higher political profile, such as student leader Wang Dan and intellectual *Liu Xiabo*, are prosecuted," one said.

**WORLD ECONOMIC INDICATORS**

INDUSTRIAL PRODUCTION (1985 = 100)

| | Nov.'90 | Oct.'90 | Sep.'90 | Nov.'89 | % change over previous year |
|---|---|---|---|---|---|
| Japan | 126.4 | 130.0 | 126.4 | 120.6 | +6.5% |
| | Oct.'90 | Sep.'90 | Aug'90 | Oct.'89 | |
| US | 116.1 | 117.1 | 116.9 | 114.1 | +1.7% |
| UK | 108.8 | 108.6 | 108.8 | 110.5 | −1.5% |
| W Germany | 118.6 | 119.9 | 118.9 | 112.7 | +5.2% |
| France | 113.2 | 113.3 | 115.2 | 112.0 | +1.1% |
| Italy | 115.7 | 119.2 | 118.1 | 119.3 | −3.0% |

Source: National government statistics

## UK NEWS

# Blue Circle to raise cement prices

By Andrew Taylor, Construction Correspondent

BLUE CIRCLE, which supplies half of all the cement sold in Britain, is expected today to announce an increase in UK prices of more than 5 per cent.

The move is likely to surprise the British building *industry. It comes against a* background of declining UK construction output, falling cement sales and rising manufacturing *costs*.

The three large British cement manufacturers - Blue Circle, Castle and Rugby - previously raised prices by about 6 per cent in March last year. The increases mostly failed to stick as competition between cement manufacturers grew and *concrete* prices fell sharply in southern England - the UK's biggest regional construction market.

In September Blue Circle said it had been *forced* to reduce its prices to regain market share lost as a result of price cutting by Rugby and Castle.

This makes the increases due to be announced today, and planned to take effect on March 1, all the more surprising.

Blue Circle will argue that the increases are necessary to offset rising costs. A new wage agreement affecting the company's 3,300 UK cement workers is to be negotiated early this year and is expected to produce increases of around the current annual inflation rate, of 9.7 per cent.

Cement *sales* by the three manufacturers are estimated to have fallen by more than 14 per cent last year to 14.9m tonnes from a peak of 17.4m tonnes in 1989.

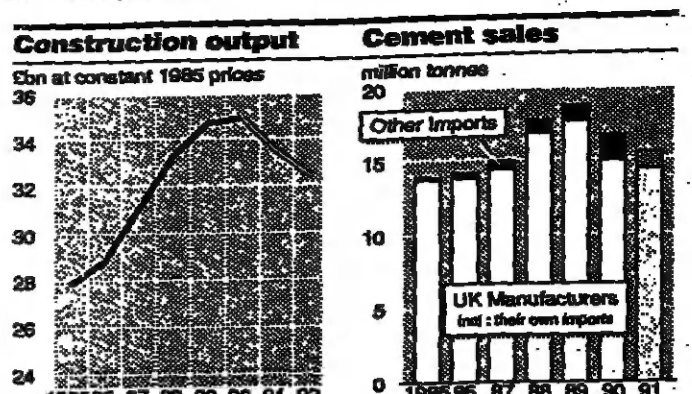
Blue Circle's UK cement profits which reached a record £110.1m in 1989 are forecast by brokers to have fallen last year to between £70m and £75m. Profits are expected to fall even further *this year even* allowing for price increases.

The group says it would be in the best interests of other manufacturers, which also have seen earnings and margins fall substantially, to raise their cement prices by a similar amount.

*It* has already shown *it* would be prepared to cut its prices again to maintain market share if Rugby and Castle fail to follow suit .

Blue Circle *charges* a basic ex-works price of £52.15 a tonne for bulk ordinary portland cement. Delivered prices vary considerably *depending* upon the distance travelled and the size of discounts available.

Three quarters of the group's sales are bulk *cement of* which half goes to 12 companies mainly for concrete and concrete products.




# Land Rover increases its output by 25%

By Kevin Done, Motor Industry Correspondent

LAND ROVER, the maker of four-wheel-drive vehicles, increased *output* last year by 24.8 per cent to a record 68,621 from 55,000 in 1989, the company announced yesterday.

*Production at the Solihull* plant, which was helped by the successful launch of the company's Discovery range, last year exceeded the previous peak *of 64,814 achieved* in 1975.

Land Rover, a division of Rover, the vehicle-making subsidiary of British Aerospace, introduced the Discovery in November 1989 as a third, *mid*-range model in addition to the existing Range Rover luxury four-wheel-drive and the Defender utility vehicles.

*Land Rover* has *established* itself as the most successful European maker of four-wheel-drive leisure utility vehicles in a market that is otherwise *dominated by Japanese rivals*. About three-quarters of production is sold abroad.

It has proven itself the most profitable part of Rover Group, which was acquired by British Aerospace in 1988 and in which *Honda* of Japan acquired a 20 per cent interest last year.

Discovery production, which is running at 630 a week, totalled 23,056 compared with the 3,749 produced in the final months of 1989.

Output of the Range Rover fell by 15.1 per cent to 24,202 from 28,513 in 1989, while production *of the re-badged* Defender - previously sold as the Land Rover utility vehicle - fell by 6 per cent to 21,363 from 22,738 a year earlier.

Output of the Range Rover, which is expected to be replaced by a new generation model in 1993 - a project currently *under development* code-named Pegasus - is running at 510 a week, while Defender output totals around 460.

Land Rover's vehicle *output* has risen steadily in the last four years from 41,290 in 1987. Successful model development and the opening up of new segments and export markets have compensated for the shrinking of its traditional utility vehicle sales in developing countries and have greatly increased the profitability of the product range.

When production peaked *previously* in 1975 utility vehicle sales at 54,298 accounted for 84 per cent of deliveries with Range Rover accounting *for* a sales volume of only 10,516.

Rover is investing about £50m a year in manufacturing and product development for the Land Rover division. It is investing an extra £11m in tooling and equipment to remove production bottlenecks for Discovery.

● Range Rover sales in the US fell last year by 5 per cent to 4,582 from 4,822 a year earlier in the face of declining overall *demand for new vehicles*.

Land Rover's Discovery: the new vehicle which has significantly helped the Midland company's production figures.

# Firebombs aimed at Ulster economy

By Our Belfast Correspondent

NORTHERN IRELAND's drive to attract much-needed investment suffered a serious setback after a co-ordinated IRA *firebomb blitz* early Saturday *morning* caused at least £10m of damage.

The terrorist onslaught, destroyed five superstores and several shops in greater Belfast. It was the most devastating IRA firebomb attack for several years and is thought to have been aimed at discouraging *potential investors* considering the province as a business location.

Belfast and several satellite towns have experienced *improvements* in their commercial fortunes in recent years, with national high street retailers moving in.

As a result, the IRA is understood *to* have been worried that life was being portrayed as "too normal".

The Confederation of British Industry in the province said the IRA seemed to be reverting to tactics of the 1970s.

# Directors signal slight rise in optimism

By Michael Cassell, Business Correspondent

COMPANY executives have become a little more confident about prospects for 1991, according to a *survey* carried out for the Institute of Directors.

The IoD says there has been a modest upturn in business *optimism after a period of* uncertainty surrounding the change in the Conservative party leadership.

Even so, half the 200 directors *questioned in the first* two weeks of Mr John Major's premiership remained less optimistic about economic prospects than they were six *months* ago.

The bi-monthly business opinion survey showed that 38 per cent of directors were more *optimistic* about their own company's prospects, compared with 33 per cent in October. Low customer demand and cash flow problems again *emerged as by far the biggest* source of concern.

Despite recessionary pressures, more than half the directors approached said their companies were *still doing* "fairly well", with 11 per cent believing they were doing "very well".

*Only* 44 per cent of company executives expected the trend of profits to be downwards, compared with 49 per cent two months ago. They were *also* slightly more optimistic about employment prospects, with only 25 per cent expecting a rise in unemployment against 31 per cent at the time of the *last survey*.

Mr Peter Morgan, director general of the IoD, said the *attitudes* revealed in the survey underlined the tough conditions *facing business* in 1991. He added: "We hope that market confidence will soon permit interest rates to begin to fall and business confidence to revive".

# Receiverships more than double in 1990

By David Waller

THE NUMBER of companies going into receivership last year totalled 2,634. The figure was more than twice the level of 1989, according to figures released today by KPMG Peat Marwick McLintock, the accountancy *and consultancy* firm.

The worst-affected sectors were property and manufacturing, *which accounted for half* the total. Nearly a fifth of companies going into receivership were in retail and distribution.

The south-west showed the *biggest year-on-year increase*, with receiverships up 200 per cent.

In the south-east and the north-east, the rise was nearly *140 per cent*; in the *Midlands it* was 100 per cent but in Scotland only 40 per cent.

"The statistics make bleak *reading*," said Mr Tim Hayward of Peat Marwick said: "Many companies, particularly in retail, that have been holding out in the hope that a good Christmas will bail them out, will have reached the end *of* the road this month now that tax, property costs and interest payments have fallen due.

"*We shall undoubtedly* see more major retail and service industry business failures over the next six months," he said.

● There were 1,187 receiverships *in 1989, 858 in 1988 and* 950 in 1987.

# Bosch proves a vital component

Alternator plant will boost Welsh economy, writes **Anthony Moreton**

THIS morning the first compact alternators will run off Bosch's £100m *plant* beside junction 34 on the M4 motorway near Cardiff in Wales.

The lightweight alternators, a *vital vehicle component*, are the first the company has produced in Europe. They will, Bosch says, provide between 20 and 70 per cent more power than present units.

Today's production will be "the equipment of the future", according to Mr Joachim Burkhardt, Bosch's technical director in Cardiff and one of the two most senior Germans at the plant.

Bosch has ambitious plans. Only a year ago the payroll consisted solely of Mr Martin Wibberley, the personnel director. A local advertisement for staff produced more than 4,000 *applications* in the first week for an initial requirement of 300 jobs. Annual pay is around £13,000 plus shift allowances. *Technicians* earn up to £18,000 – big money in these parts.

The aim is to increase staff to about 570 this summer when production is in full swing. By then output should be *nudging* 200,000 a month; in a full year the company expects to produce 2.5m units.

Space exists for a second production hall if markets hold up. If Bosch does commission the second unit – and it confidently expects *to do so* by 1995 – output would be boosted to 5m units annually and the workforce would rise to 1,200.

Mr Gerhard Turner, the commercial director and the other top German, agrees that this depends on motor output holding up.

It also depends on the opposition. In Britain, Lucas is one important competitor. *There* are producers in France and Italy to be taken into account, not to mention the Japanese.

"We came to Wales because we saw an increasing base in the UK as the motor industry expanded, though an important *part of our output* will be exported," Mr Turner says.

Whether the company would have chosen the UK if it had predicted the *dismantling* of the Berlin Wall – with the consequent opening up of eastern Europe and its cheap labour pool – probably *even* Bosch's top hierarchy in Stuttgart does not know.

Expansion into eastern Europe *must still* be a *possibility*. It could even replace the planned Cardiff site.

Such a decision would be taken by *the board of management* under its chairman Mr Marcus Bierich, a man whom the Welsh have assiduously and *successfully courted* over the past two years.

For Mr Turner and Mr Burkhardt it is enough that Cardiff is up and *running* and *has* the potential to double output within the next four years.

Their concern now is to try *to find suppliers within the UK* to match their exacting demands.

They pay tribute to Nissan *which* has improved the level of component suppliers within the British motor industry in the same way that Sony, a dozen miles along the *M4* motorway, has done for the television industry.

"We begin completely with existing suppliers in *Germany*, France and other countries," says Mr Burkhardt.

"But we are looking hard for British suppliers." *He admits* to having had "some difficulties in finding enough of them *producing* the right quality".

"We think we can get this right and then we shall switch to British suppliers," he says. "But we won't switch until the quality is right. We simply don't compromise on quality."

Bosch, like Nissan, places great emphasis on its relationship with suppliers. "We want a stable, long-term relationship," Mr Burkhardt says, "because we want to build in quality at *the start*, not undertake repairs at the end of the production process."

Within the Bosch empire, alternator production is just one division among 10 that supplies parts to the motor industry.

And *automotive* equipment, ranging from anti-lock *braking* systems to wipers, is just one of the company's four production groups – the *others* turn out radio communications, power tools, household appliances, drills and thermoplastics.

That makes the Cardiff plant a relatively small part of a *massive empire*. Bosch, a private company, has an annual turnover of around £10.6bn. About half its output, but only *18* per cent of its revenue, is produced *outside* Germany.

For Britain, the Welsh plant is an important contribution towards the creation of a multinational industry.

If Bosch *gets it right in Cardiff* the possibilities of expansion are almost limitless; the reverse does not bear thinking about.

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ASEA BROWN BOVERI

Martin Dickson visits a Private Industry Council in Connecticut and finds that it is atypical

# A chequered record for the UK's role model

The initial appearance is highly deceptive: you proceed down a thickly carpeted corridor, lined with blandly tasteful art, into a bright, freshly painted room where smartly dressed women are busily tapping away at an array of new word-processors. Welcome to a typical corporate office in Anytown, USA.

In reality, this is a training centre for some of America's least privileged citizens in the gritty Connecticut town of Bridgeport. The women at the word-processors are single black mothers on government welfare, learning the skills of the office workers they hope to become.

The centre's resemblance to a real office is a quite deliberate device to build their self-confidence. It is also a tangible demonstration of a successful partnership between business and the Southern Connecticut Private Industry Council (Pic), the local arm of a federal job training programme aimed primarily at the poor.

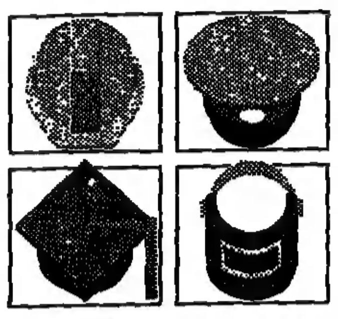
The word-processors are part of a $165,000 gift of equipment and software from International Business Machines, while the furniture, artwork and other equipment have all been given by local donors. Even some of the women's clothes have come from business people; the centre insists that trainees dress in a manner suitable for an office and maintains a wardrobe for those who cannot afford their own.

The educational process is as much psychological as practical. "On day one we tell them, 'you're in charge of your destiny'," says Joyce Thomas, who runs the centre and has a good record of getting Pic graduates into work and keeping them there.

A similar self-help ideal – that local private enterprise is best suited to determining local training needs – underlies the entire Pic movement in the US, which has served as the inspiration for Britain's new Training and Enterprise Councils.

However, the Bridgeport Pic is regarded as one of the best in the US and many of the 620 others scattered across the nation have a very chequered record. Their problems suggest that while the American system offers some good ideas to the UK, it is a far from ideal role model.

Pics emerged in the early 1980s out of the Job Training Partnership Act (JTPA), a Reagan administration reform designed to produce greater


TRAINING ON TRIAL

private sector involvement in manpower training.

The board of each Pic has to have a majority of local businesspeople. They, working together with a minority of representatives from government and community groups, and a full-time executive team, decide how to allocate federal training funds.

Equally important is the role of the private sector in the training itself. For the Pics do relatively little teaching themselves, instead delegating most work to outside organisations – ranging from private businesses to union groups – which bid for contracts.

The contractors have to show that there is a local demand for the training they are offering – for example, through letters of support from potential employers – and they are paid in part by the number of trainees they actually place in jobs. According to the theory it is the marketplace that rules, rather than bureaucrats.

At its best the system does much very valuable work, as the example of Bridgeport shows. But the system is highly dependent on the quality of the individuals involved, and even when performing well, it is open to the criticism that it fails to reach those most in need of help.

The Bridgeport Pic is particularly blessed. First, the geographical area it covers, together with a New England sense of community service, means there is no shortage of business talent willing to serve on its board. In fact there is a waiting list.

However, in some other parts of the country, critics say initial enthusiasm for the scheme seems to have faded, that the seniority of businessmen serving on Pic boards has consequently dropped, and that momentum has been lost.

But attracting the right businessmen depends crucially on the quality of the individual executives running a programme and on their diplomatic skills. Here, too, in contrast to some other areas, the Bridgeport scheme has been fortunate. Its director, Henry Durell, is an enterprising man with a hard-headed commercial background in retailing and, having been with the Pic from the beginning, he gives it a sense of continuity. Other staff members radiate enthusiasm for their work.

Durell believes that having businessmen in the majority on the board works extremely well. For one thing, he says, it has removed budget allocation decisions from the political arena, with its lengthy squabbles over who gets what. And his board members – who range from senior figures in local banking to small entrepreneurs – provide not only strategic direction and a feel for the business climate to the Pic, but can also give day-to-day practical advice and support services "which money can't buy".


The federal job training programme in Connecticut includes nurse's aide and photocopier repair

But despite all this support, the Pic's budget has been shrinking since 1984, because federal contributions relate to local unemployment levels, which fell sharply in New England in the late 1980s.

However, in another display of enterprise, Bridgeport has tapped the state of Connecticut for funds, and some 35 per cent of its $5m budget now comes from this source and is aimed at more welfare-oriented programmes, such as improving the employment chances of the Hispanic population.

But the budget squeeze has also forced the Pic to cut back on some of its more high-risk programmes, aimed at those who are hardest to train. And this highlights a major attack that has been made on the Pic system by critics who argue that it has basic flaws.

In particular, they say that rewarding private contractors for the number of trainees who get placed in jobs has created a "top skimming" bias; contractors choose for training those who would be most likely to get jobs anyway.

John Donahue, an assistant professor at Harvard Kennedy School of Government, says it is as if doctors "were presented with a large population of patients suffering from complaints ranging from tendonitis to brain tumours, were invited to choose two to three per cent of them for treatment, and paid on the basis of how many were still breathing when they left the hospital."

A report by the Department of Labor's Office of Inspector General in 1988 concluded that although the JTPA programme had led to 70 per cent achieving employment it was "not focusing on hard-to-serve individuals – the population segment where potentially the greatest returns on investment can be realised".

In Bridgeport, Durell acknowledges that "of the eligible population referred to them, they (the contractors) are probably going to take those they think are most likely to succeed". But he points out that the Pic tries to screen out those who would probably get jobs anyway; all those accepted fit the deprivation criteria – and their places could be filled three times over if the budget permitted.

The Pic programme in general is also attacked for emphasising short courses that will put people in jobs quickly, rather than longer term training that will produce more enduring results. The average training period is just three to four months.

Durell says this problem is built in by the JTPA law, which does not allow Pics to pay trainees living allowances, and that in turn limits the time they are able to remain in a programme. "We once tried a one year auto mechanics training course, but they all dropped out," he says.

In some parts of the US Pics have also been strongly attacked for wasting resources, for example, by subsidising companies for training people they would have hired anyway. According to the Labor Department study this applied to about 60 per cent of on-the-job trainees.

None of these criticisms brands the Pic programme as a failure. It is certainly more successful than its predecessors in finding jobs for the poor, but it does have major flaws if it is regarded – as it should be – primarily as a welfare programme.

What it is most certainly not – and was never intended to be – is a national training programme which addresses the serious deficiencies of America's school-to-work transition in an age that demands a more highly skilled working population than before.

This was underlined in a high-powered report* published last year by the influential National Center on Education and the Economy, which said that the JTPA programme was well intentioned, "but because the programmes are designed exclusively to aid the disadvantaged and dislocated populations, benefits are marginal in the labour market".

Instead, the study called for the establishment of state and federal Employment and Training Boards to take a comprehensive look at the nation's critical manpower problems. Perhaps in a few years' time this new enthusiasm will cross the Atlantic too.

*America's choice: high skills or low wages! National Center on Education and the Economy. 39 State Street, Rochester, New York 14614.*

*Previous articles in this series were published on November 28, December 3, 10 and January 2.*

# UK adviser puts US Pics in the frame

Cay Stratton, the UK government's special adviser on its new Training and Enterprise Councils, was depressed but undaunted by a recent visit to a conference of Private Industry Councils (Pics) in the US.

Many Pics, she says, had rapidly deteriorated into low-calibre administrators of welfare programmes for the long-term unemployed.

Stratton believes that Britain can avoid this as it establishes a network of Tecs. While Britain is drawing on the US Pics experience, the aim is to create bodies in the mainstream of the country's vocational training.

Stratton, until 1988 assistant secretary of economic affairs for employment and training in the state of Massachusetts, argues that there are several very clear reasons why most Pics – which, like Tecs, are private sector-led bodies which administer publicly funded schemes – have deteriorated.

A basic weakness, says Stratton, is that their structure is not a particularly workable resolution of the balance of power between the public and private sectors.

Pics, by statute, were responsible for planning and broad policy decisions but they could not make any resource allocations or contracting decisions without the approval of the local authority. This could be a county or a municipality with widely differing political agendas for training.

Federal funds – which were substantially reduced during the 1980s – flowed through the states to the local authorities which in most cases employed the Pic staff. Stratton says this resulted in many Pics becoming little more than advisory bodies subject to the political vagaries of their pay masters.

In contrast, Tec boards in the UK are not responsible to local authorities. (Business leaders in the UK have nevertheless complained that the government, in setting funding levels tied to the delivery of specific programmes, has given them little room for manoeuvre.)

Stratton argues that Tecs have much more executive power than their US counterparts and clearer responsibilities. She says when executives joined Pic boards they were promised money, power and influence. But in practice they only had funds for limited programmes if their local authority approved them; they often had no staff of their own and their remit got narrower as new government programmes were set up alongside them.

Stratton says she does not see the British government marginalising Tecs in the same way or retreating from its guarantee to provide training for young people and the long-term unemployed. In the US – where Pics' only statutory responsibility is to provide training – there are no guarantees of training for young people and adult programmes have only been for the most disadvantaged.

The remit of Tecs is critically different, says Stratton, in that they are also being asked to involve themselves in education, stimulating enterprise, and local economic growth. Stratton concedes, though, that the bulk of Tecs' funding is for national training programmes.

"The vision may not match the resources," she says. "But in areas like education I believe that the issues are less about money and more about influence and partnership."

She says that Tecs, unlike Pics, could legitimately seek real partnerships with a number of bodies including local authorities. This wider role, she argues, has been responsible for attracting a good calibre of senior executives to Tec boards.

Pic boards, she says, are increasingly being made up of vice presidents of personnel rather than chief executives who had the clout to influence public institutions or their fellow employees.

Levels of funding did play a role in keeping chief executives on boards, says Stratton, who points out that federal US funds spent on training amount to about $3.5bn a year compared with £2.5bn in the UK. She diplomatically says that she believes the level of funding of Tecs at present is adequate. She declines to comment on government plans to reduce spending on Tecs but says: "I believe that if you reduce funding over time so that simultaneously you are reducing the breadth of remit you will be in serious trouble."

**Lisa Wood**

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FT SURVEYS

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FT SURVEYS

LEGAL COLUMN

# EC proposal raises fears over flexibility of takeover rules

By Robert Rice, Legal Correspondent

APPREHENSION in the UK about the effect of the EC's 13th directive on company law - the takeover directive - was not noticeably reduced by publication of the latest draft in September last year.

In October the Department of Trade and Industry emphasised that the amended EC proposals did not resolve the fundamental issues. The DTI maintains that important elements of flexibility and certainty are present in the UK system for controlling takeovers through the Takeover Panel and the City Code on Take-overs and Mergers. It believes those elements are threatened by the directive.

The Law Society's influential company law committee has now added its voice to those expressing concern about the amended EC proposal. In detailed comments to the DTI, it echoes the department's concerns. It says that the ability of the UK system to meet new developments, and the speed of panel decisions, might be lost if the proposal was implemented in its present form.

The process of takeovers under the system proposed by the directive would become more bureaucratic, costly and legalistic, it says.

The draft appears to give the relevant "supervisory authority" - in the UK, the Takeover Panel - a considerable measure of discretion. But it will always have to give reasons for using that discretion.

That fact, combined with the introduction of "principles" to be followed, must inevitably circumscribe the panel's discretion and increase greatly the opportunity for challenge through judicial review. The potential for an unwelcome growth in litigation during the course of bids is substantial.

The committee says there are several structural requirements for a bid which any system of control should provide for. It adds that some of them do not appear in the latest draft. The committee is chaired by Mr Bill Knight of Simmons & Simmons, the City solicitors.

In all cases, it says, it should be a condition of any offer that the bidder will end up holding not less than 50 per cent of the voting rights of the target company. In other words, a successful bid must result in legal control passing to the bidder.

Except in the case of a mandatory bid, the committee believes that a bidder should be free to set an initial minimum level of acceptances. It feels that a bidder should also be free to waive the requirement to reach a minimum level provided that the 50 per cent test is met.

The committee says, however, that a bidder should not be allowed to set a maximum level of acceptances. It says the bidder should be

- obliged to honour all acceptances received above the minimum during the period of the offer;
- able to close a bid by giving prior notice of its intentions to do so before the end of a 10-week period, provided it has reached the minimum level of acceptances and provided the 50 per cent test has been met;
- able to keep an offer open after the end of the 10-week period, provided the offer has previously become unconditional, in other words that it is binding on the bidder.

There are several issues which the committee says require further amendment or clarification. In particular it is concerned about:

- provisions for selecting the appropriate supervisory authority within the EC, which seem unworkable;
- the lack of provisions supporting the obligation to make a mandatory bid once the relevant threshold interest in the target company has been acquired, which in effect renders that obligation valueless;
- the inability of the supervisory authority to give general dispensations or derogations;
- the complete freedom of offerors (bidders) to select the maximum and minimum percentages of shares to be acquired;
- the lack of clarity in the provisions relating to the conditionality of bids.

Of these principal concerns, the most worrying to the committee is the lack of provisions to support the obligation to make a mandatory bid once the threshold interest has been acquired in the target.

Article 4 of the directive imposes the mandatory bid obligation, and appears fundamentally flawed. There is nothing, for example, which controls the terms of the bid which an acquirer is obliged to make.

The bid can be conditional; it does not have to be of any particular value; it does not have to be in cash or with a cash alternative. Most worrying of all, the bid can set a minimum percentage of acceptances which is so high - 100 per cent - as to make the percentage unattainable in practice. That will in effect defeat the purpose of having a mandatory bid obligation.

The purpose of a mandatory bid obligation is to allow shareholders in a company where effective control has passed to an acquirer to sell their interest at a price which reflects the price paid by the acquirer in gaining control. As now drafted, the directive fails to accomplish that objective.

## Potential for growth in litigation is substantial

The committee's concern about proposals covering the supervisory authority centres on the issue of how the authority responsible for supervising the publication of an offer document is to be designated.

Before the amended EC proposal was published, the European Parliament tried to clarify that issue with a revised clause which said that the choice of appropriate supervisory authority should normally be determined by the location of the place where the securities of the target company were "first admitted to trading".

That does not improve matters much, however. Where the target company has its registered office and its shares admitted to trading in the same EC state it will be clear which is the appropriate supervisory authority.

When, for example, the securities of the target company were offered and listed in a number of countries at the same time, it may not be so clear where they were "first admitted to trading".

Even where it is clear, the committee says, it by no means follows that the member state in which the offeree's securities were first admitted to trading will represent any more logical or satisfactory a choice than any other member state where they are being traded at the time that the bid is made.

The draft does not say whether a target company must have its registered office in a member state in order for the directive to apply. However, if the committee is right to assume that is the case, such a requirement could result in a bid for a company with its registered office in the UK, whose securities were first traded in Luxembourg, being supervised by the Luxembourg authorities even though the securities are not listed in Luxembourg when the bid is made.

If, however, the committee is incorrect in its assumption that a target must have its registered office in the EC, then a non-EC company which has a class of voting securities or potential voting securities traded on an exchange in the EC could find that any bid made for it, even by another non-EC company, would be subject to the supervision of the member state where those voting securities are traded.

Thus, a bid by one US company for another US company which just happens to have some of its stock listed in, say, London, could be subject to supervision by the Takeover Panel. That is obviously unsatisfactory.

There is much scope for confusion and uncertainty, and the DTI must push for some form of amendment which would ensure that the issue of jurisdiction is beyond doubt in each case and is soundly based in law.

In general, however, there appear to be serious objections to the EC directive as it is now drafted. If the flexibility and certainty of the present UK system is not to be destroyed, a great deal of work remains to be done before the EC measure can be adopted safely.

## ARTS

ARCHITECTURE

# The Peer and the Poultry

**Colin Amery hopes that the Law Lords will reject Mr Palumbo's plans for the Mappin & Webb site**

Mr Peter Palumbo is in limbo. He still does not know which way the noble judges in the House of Lords are going to decide the fate of his proposals to demolish one of the last remaining chunks of the 19th century City of London. The case will be heard in the House of Lords next week on January 14.

In the Gilbertian world of political honours, Mr Palumbo was given a life barony by Mrs Thatcher in her resignation lavender list and is currently at that awkward stage of being a peer without a gazetted title. Will he opt for Lord Palumbo of Poultry to commemorate his *long* skirmish in that street?

Mr Palumbo is a peer with many seats. He is the only peer in the world with a set of modern movement houses by Mies *van der Rohe* and *Le Corbusier*. He is certainly the only peer to be much involved in a new group that is dedicated to the preservation of the evidence of the modern movement in architecture. This enjoys the title of Docomomo because it is about the documentation and conservation of that period – Lord Docomomo? . . . a certain exotic rhythm . . .

Like all enthusiasts for the extremes of the modern movement, and most peers, Lord P's main seat is a good Georgian manor in Berkshire with the odd ornament by that well known modernist Quinlan Terry. The barony of Bagnor is perhaps too conventional. Perhaps he will settle for the decent obscurity of a Scottish title – Baron of Ascrib, after the Hebridean island where he is building his most recent seat. That would also commemorate for his lifetime the moment when he admitted he was really a conservationist. He felt the island was too beautiful for a new building and so he and his architect, Mr Stephen *Gardiner*, are placing the Scottish seat underground. If only he felt the same way about the City.

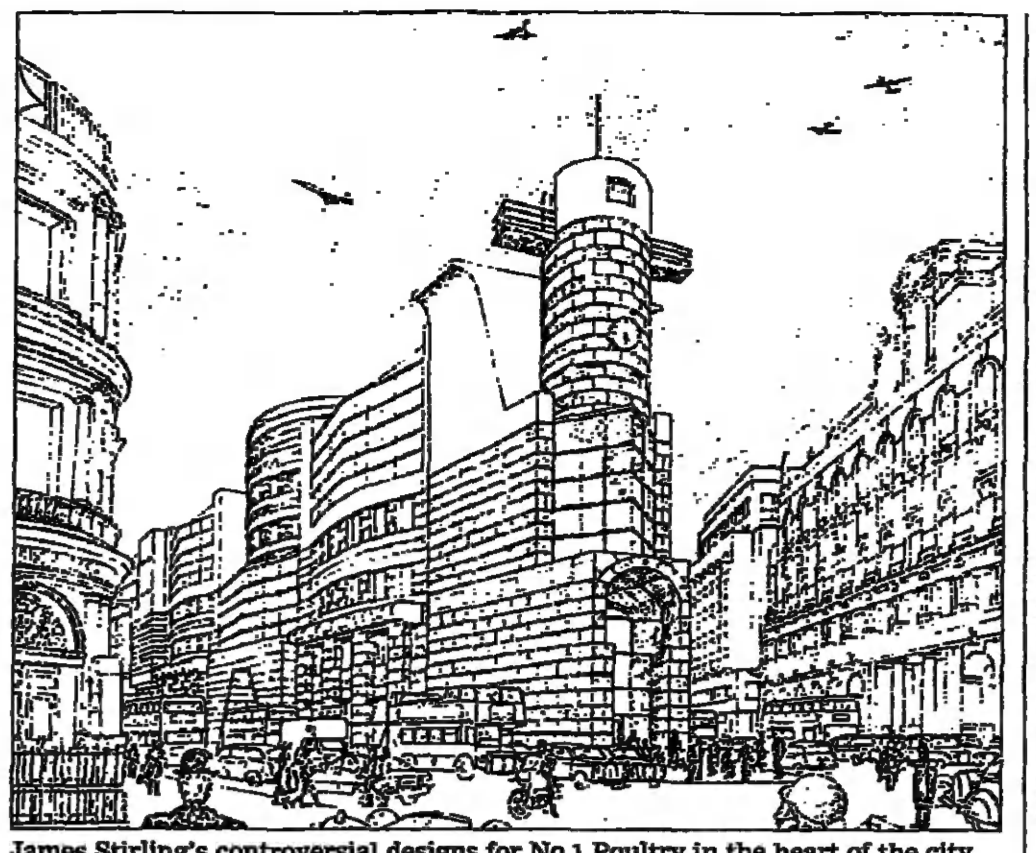
While it may be fun to toy with titles in our classless society, the issue that the Law Lords will be looking at on January 14 is a serious one and we should be *grateful to Lord* P. for giving the nation the chance, once and for all, of settling the question of when is a listed building a listed building and whether the protection currently offered by the law is working adequately.

The story so far . . . Mr Palumbo owns a slice of the City at the end of Cheapside and Poultry by the Mansion House. It is often known as the Mappin and Webb site after the jewellery shop which has been there for so long. The site is currently occupied by a group of good 19th-century commercial buildings – the Mappin and Webb building being an interesting exercise in commercial gothic by J and J Belcher of the 1870s, with its fine circular Franco-Flemish tower at the apex of the site. There is a lot of good craftsmanship on all the other buildings – stone carving, terracotta, ironwork – everyone, including Mr Pal*umbo, has said that it makes* perfectly good commercial sense to refurbish all the buildings as shops and offices. Eight of them are listed and the whole site is in an important conservation area and is part of an Area of Special Character under the Greater London Development Plan.

Many years ago Mr Palumbo wanted a new building on the site – a tower by Mies Van der Rohe with a new square by the Mansion House. That scheme was turned down at a public inquiry in 1985. The then secretary of state for the environment left a tiny loophole in his decision letter when he said that redevelopment might not be ruled out "if there were acceptable proposals for replac*ing the existing buildings.*" This loophole led to proposals for a completely different sort of building by architect Janes Stirling.

There was another public inquiry. Once again the City Corporation, English Heritage, and many local and national bodies were all opposed to the demolitions. This time the inquiry inspector's report was a strange illogical document that seemed to ignore conservation law and argued that the replacement building "might just be a masterpiece." Mr Nicholas Ridley's decision letter after this 1989 inquiry was less certain that his inspector, but he thought the scheme to demolish everything should go ahead because the new building may be a "worthy modern addition." It is Mr Ridley's maverick departure from official conservation policy without giving adequate reasons that caused his decision letter *to be challenged in the High* Court and subsequently in the Court of Appeal.

These two courts of law came to differing conclusions, which seemed to bear out the



James Stirling's controversial designs for No.1 Poultry in the heart of the city

public feeling that Ridley and his inspector had followed neither the letter not the spirit of the conservation rules. In particular it is clear that if a minister makes a major departure from the rules (especially Circular 8/87) he must give adequate reasons. Lord Justice Woolf's full judgment in the Court of Appeal (March 30, 1990) which quashed the secretary of state's decision (his letter of June 7, 1989) and set aside the Order of the High Court (December 19, 1989) – made it crystal clear that the secretary of state did not give *adequate reasons for his decision*, especially as his decision marked a major change of policy.

The conservation policy as expressed in government circulars and in current practice and advice to local authorities is completely clear. When it comes to the whole question of listed buildings the presumption is in favour of preservation. "Every possible effort must be made to continue the same use or find an alternative use" before any listed building consent is granted. The question of the quality of the replacement has never been an issue and cannot be because it is far too subjective and would lead to every developer making his own case for a "worthy modern addition" on the sites *of ruined listed buildings.*

I hope that the House of Lords will end Mr Palumbo's limbo and not allow exceptional treatment for this City site which would be an alarming precedent for the future of the mere two per cent of our building stock that is listed.

It has never been clear why Mr Palumbo cannot build a fine Stirling building or any other good building on another *site that he owns. I would* be the first to agree that we need more good buildings in the capital instead of the ever-rising tide of developer mediocrity.

Please your Lordship, refurbish your listed buildings, demolish Bucklersbury House *or any other indifferent slab* that your companies own and earn your ermine by adding to London's architectural stock without diminishing it at the same time.

SPONSORSHIP

# Guaranteed growth comes to an end

Arts sponsorship has been one of the great British growth industries of recent years, with business funding of arts events rising seamlessly from under *£10m a decade ago to over* £30m last year. 1991 could see an end to guaranteed growth.

Companies will be less willing to support the arts at a time of falling profits. It might seem like bad public relations to be entertaining guests at a sponsored opera, or to finance a ballet tour, while announcing redundancies. In addition some important sponsors, like British & Commonwealth and Coloroll, have already gone to the wall, *while other sectors* which have been major backers, like the banks and financial services, and property companies, face particularly hard times. Unfortunately the arts are not yet seen as a priority.

Foreign companies, especially the Japanese, still view the arts as a good way of generating goodwill and contacts in an overseas market, and privatised companies, and those about to follow this route, remain an important force, but it will be a hard slog for arts companies to which verge on the dependent.

In particular business will be reluctant to renew links after the (typically) three-year-long partnerships expire. The biggest arts prize, the £100,000 *given by the Prudential to* what the judges reckon to be the most imaginative arts company in the UK, ends its natural term this year, as does the *Shell-BAFTA link. Will they be* renewed? Scottish Amicable has already announced that its aid for the Edinburgh Festival is to be discontinued. It was dissatisfied with its media coverage.

The tougher climate for attracting sponsors makes nonsense of the Arts Council's Enhancement Fund, under which certain companies selected for excellence, notably the RSC and the Royal Opera House, will receive extra Council money if they can raise matching sums from business or local authorities. The City might bail out the RSC again *but other local councils* are severely strapped, and the likelihood of sponsors contributing an extra £10m over three years to allow a handful of Arts Council clients to justify Enhancement money is not feasible.

The Enhancement Fund can also have a negative impact on those companies, such as Welsh National Opera, which was not favoured. This makes it even more essential for the *WNO to achieve its ambitious* sponsorship target but prospective backers will wonder why the Arts Council did not support it.

The Association for Business *Sponsorship of the Arts must* work on the new minister for the arts, Tim Renton. His predecessor, David Mellor, pointedly failed to increase the £3.5m the government contributes to the Business Sponsorship Incentive Scheme. Behind a genial exterior Mr Renton is proving to be his own man and quite capable of changing policy. However, although approaches from new sponsors for matching money from the BSIS are currently on target, the slow-down in sponsorship might mean that the frozen £3.5m for 1991-92 will be sufficient to meet the reduced demands upon its coffers.

*

In the next few weeks Shell must decide whether to maintain the biggest arts sponsorship in the UK – the £1m a year which it has given for the last three years to the British Association of Film and Television Arts (BAFTA). The deal ends in the summer but has now been extended for another six months. The appearance of Shell's new UK chief executive, Mr John Collins, at the recent European Film Festival in Glasgow, also sponsored by Shell, suggests that the link will be maintained, at least for *another year.*

The money, spent on promotional events which attract wide television coverage, such as the BAFTA awards for the best British film and television programmes of the year, educational work in the industry, and the development of British film overseas, is crucial to BAFTA, especially at a time when other backers, like the regional TV companies, face a difficult future.

Shell's decision to bail out the European Film Festival with £100,000 could be the start of an international connection between Shell and the film industry. When the Festival returns to Berlin next year it could be the first joint sponsorship by all the Shell European subsidiaries. Unlike other *global oil companies Shell* allows its national managers to decide on the dispersal of their marketing budgets, but the Film Festival, which represents the coming together of nations east and west, offers just the right platform to launch an international profile for Shell. Sponsorship would cost around £1m and now the individual companies will be asked for their contributions.

**Antony Thorncroft**

# The Pitchfork Disney

**BUSH THEATRE**

It is the naughty-boy aspect of Rupert Graves that makes him appealing. As the movies *A Room with a View* and *Maurice* and the play *A Madhouse in Goa* have shown, he is skilful enough to play, convincingly, characters from different classes, regions, nationalities. But always he remains not fully adult, and unburdened by responsibilities or consciousness of sin. His new role, at the centre of Philip Ridley's *The Pitchfork Disney*, twists this to brilliant effect.

Graves is the 28-year-old Presley Stray; he and his twin sister Haley (Tilly Vosburgh) are self-locked into childhood. Alone in their small and shabby flat, they are a Hansel and Gretel who have stayed in the wood, obsessed by sweets, wracked by nightmares, terrified of the big wide world, still in need of parental support. Chocaholism has made their teeth black and rotten; both habitually wear kiddie-type nightwear; and they depend on pills and medicine.

This is the first stage play by Ridley, who is already known for, among other things, his paintings, his fiction for both adults and children and his screenplay for *The Krays.*

*The Pitchfork Disney* draws several of his concerns – fear and fantasy, childhood and adult life – together. When Presley has sedated Haley, who is the more disturbed and scared of the two, he admits to the flat a young man he has seen outside, the ludicrous and

Alastair Muir

Graves as the superfi*cially bright Presley*

narcissistic spiv Cosmo Disney (Dominic Keating) – who, to poor Presley, is an icon of virile glamour and self-sufficiency.

What follows is the main core of the play. Disney is a flash teenager, all bright and brittle surface; Presley is all pulpy core, an adult retarded, childish and vulnerable.

Disney's overt homophobia meet *Presley's covert* and confused homosexuality. At times, their dialogue becomes a power-struggle, for Disney has his phobias and fantasies too. But Disney's main function is to make us aware of Presley's confused subconscious. He wants Disney as hero, friend, master, father and lover, but he also recognises that Disney embodies all that he most violently dreads.

There are threads – especially the hefty hints that Disney is every bit as strange as Presley – that Ridley chooses to leave dangling in mid-air. I wish there were more of them.

As a voyage into the subconscious, *The Pitchfork Disney* is rather too surely mapped out. Know Your Self, it says; and Face Your Phobias. Graves makes Presley's long narration of his recurring nightmare the gripping climax of the performance – listening in horror, I wriggled and thrashed around as violently as I do in an Indiana Jones thriller – but really it is not only longer than any true *dream, it is also more obvious.*

Ridley paces his play well, working frequent humour and oddly poetic strokes of absurdity into his story. Graves and Vosburgh are both alarmingly good as the twins; Graves, playing Presley with maximum objectivity and zero cuteness, gives a gripping, subtle and, yes, oddly loveable performance. Every word, in Matthew Lloyd's direction, makes an impact. I have not heard any of Ridley's three radio plays, but I can imagine that *The Pitchfork Disney* would have an even stronger effect on soundwaves alone. Something, however, *that a* stage play needs to make full effect, is missing here: a persuasive sense of place.

**Alastair Macaulay**

# The Ring Saga

**QUEEN ELIZABETH HALL**

The City of Birmingham Touring Opera pocket version of Wagner's *Ring Cycle* – the four parts condensed into two, *the orchestration reduced to* chamber-ensemble proportions, the cast list pruned of smaller parts – has arrived in London for three complete performances. On tour it has been greeted with audience cheers and a general expression of critical wonderment: my colleague in *The Spectator* deemed it "a miracle". At the first of the London showings, on Thursday and Saturday, there were the same expressions of approval from a huge audience – and, in one lonely seat in Row H, a critic so racked with misgiving that for him the whole experience took on the aspects of a nightmare.

A noble aim inspired the project: to desire to carry this mightiest of operatic creations into places where it has never been, for audiences not composed of opera-house habitués, in a style intended to attract newcomers rather than scaring them off (the use of Andrew Porter's superb translation, that beau ideal of the genre, is of inestimable help).

So far so good: the Jonathan Dove *orchestration, once one's* mental dials have been re-set, proves constantly ear-opening, imaginatively fresh equally in passages dependent on timbre-contrasts and *in its chamber*-scale re-invention of musical grandeur. (Simply as playing, and in defiance of Simon Halsey's ploddingly pedestrian conducting, the tireless CBTO Orchestra provide themselves an astonishing feat of adaptability and simple stamina.) And Graham Vick's penny-*plain production, though it* demonstrates a surprising lack of engagement with the work's burning issues, and a surprising lack of colour and fantasy in its treatment of characters and spectacle, certainly tells the story straightforwardly enough.

The stepped portable theatre enclosing the orchestra, dull to look at, is capable of welcome enlargements of dimension and vista when needed. As a forcing-ground *for young British* Wagner singers – notably Linda McLeod (Brynhild), Yvonne Howard (Fricka and Waltraute), Keith Latham (Alberich), and Peter Sidhom (Donner and Gunther) – who can be expected to grow into the "real thing", this *Ring Saga* has shown itself particularly valuable.

But the whole enterprise really comes to grief on the absurdity of the performing edition. The necessary cramming-in of narrative results in acts of elephantine length and, worse, impossible structural basis – when the transitions *between and slow buildings* toward climaxes are truncated or jumbled in this way, the result is indigestibly slow and protracted beyond all imagin*ing, and in the highest degree* untrue to Wagner.

The second act of Part 1, containing as it did episodes from different *Walküre* acts stuck together, was the *ne plus ultra* of this operatic equivalent of gibberish; those who know their *Ring* well may enjoy moments of passing amuse*ment at the sheer chutzpah of* some of these Dove-Vick join-ups, but these are poor compensation for the loss of intelligible dramatic momentum. I think any of the recent or current *Rings* on television would serve the newcomer infinitely better. In any real sense *The Ring Saga* simply doesn't begin to work.

**Max Loppert**

# Puss in Boots

**THE PLAYERS THEATRE**

The Players Theatre used to be a friendly, raffish, unpretentious, sort of place stuck under the arches of Charing Cross Station. Then a developer got his hands on the site, and the Players was forced to squat until last year when it was decanted back into a pastiche of its old club room inside the high-tech office block.

Every Christmas the Players presents a pantomime which is antediluvian in its traditionalism. Director and designer Reginald Woolley takes the *text of a Victorian panto*, grafts on tunes of the times, and stands well back. A year ago I enjoyed a beautifully sung version of a *Cinderella* of 1860 vintage with an attractive cast, lots of exciting cross dressing, and no little wit.

This year it is the 1837 *Puss in Boots* of J. R. Planché and the thrill has gone. The pun laden rhyming couplets fell like so many cheap cracker mottoes on the ears and the cast sparkled like last night's cheap champagne. Sheila Burnette burst an old trooper's gut as Puss and *got some support* from Michael Sadler as a clean limbed and bright voiced Ralph, but what promised to be an exhilarating novelty turned *out to be a museum piece.*

The evening was flat, perhaps because of post-Christmas torpor, perhaps because the new theatre lacks the good natured squalor of its predecessor. A night at the Players for the music hall which is its stock in trade has always been a hit and miss affair, with much depending on the brio of the chairman and the availability of artistes, who are either young hopefuls or resting old pros, leavened by the odd big name who feels nostalgic about his Players apprenticeship.

But the new theatre seems to be promoting itself as a tourist attraction rather than a quaint British cult. The Players has always attempted something *impossible – to re-create* the past. It comes closest to success with bonhomie rather than through ritual.

**Antony Thorncroft**

## INTERNATIONAL ARTS GUIDE
TODAY'S EVENTS

### ■ AMSTERDAM

**Concertgebouw** 20.15 Orchestra of the Age of Enlightenment plays Bach. Wed and Thurs: Neeme Jarvi conducts the Concertgebouw Orchestra in a programme of Stravinsky, Bartok and Mendelssohn (718345)

### ■ BERLIN

DANCE

**Deutsche Oper** 18.00 Ring um den Ring, joint production by Deutsche Oper and Béjart Ballet Lausanne, four hours of Wagner's music choreographed by Maurice Béjart. Repeated tomorrow and Wed. Thurs: Rigoletto. Fri: Aida (3410 249)

MUSIC

**Komische Oper** 20.00 Funf Mädchen und kein Mann, operetta by Suppé. Tomorrow: Harry Kupfer's German-language staging of Cosi fan tutte. Wed: Swan Lake. Thurs: Entführung. Fri: La Bohème (2292 555)

**Schauspielhaus** 20.00 Simon Rattle conducts Berlin Philharmonic Orchestra in Szymanowski's Stabat Mater and Mahler's Resurrection Symphony, with soloists Alfreda Hodgson, Arleen Auger and Willard White (2614 383)

THEATRE

**Deutsches Theater** 19.30 Nachtasyl, play by Maxim Gorki. Wed: Goldoni's The Servant of Two Masters (2871 225)

**Schiller Theater** 20.00 Weekend im Paradies, farce by Franz Arnold and Ernst Bach. Thurs: Schiller's Die Rauber (3195 236)

### ■ BONN

**Oper** 20.00 Recital by Jose van Dam, with songs by Duparc and Schumann. Wed: Rigoletto. Fri: Swan Lake. Sat: The Nutcracker. Sun: Die Frau ohne Schatten (773667)

### ■ BRUSSELS

**Palais des Beaux Arts** 20.00 Piano recital by Pierre-Alain Volondat. Tomorrow: Les Violons du Roy play symphonies and concertos by Mozart. (507 8200)

### ■ COLOGNE

**Philharmonie** 20.00 Jiri Belohlavek conducts music by Lubos Fiser, Mozart and Dvorak with the Gurzenich Orchestra. Repeated tomorrow (2801)

**Schlosserei** 20.00 The Seven Deadly Sins by Bertolt Brecht and Kurt Weill (221 8400)

### ■ FRANKFURT

**Kammerspiel** 20.00 Pinter's The Caretaker (236061)

**Opernhaus** The Frankfurt Opera is closed until the main theatre reopens on April 6. Until then the company will undertake a limited touring programme

### ■ HAMBURG

**Philharmonie** 20.00 Neville Marriner conducts Hamburg State Philharmonic Orchestra in Mozart's Symphony No 32 and Elgar's Enigma Variations, with Christian Zacharias soloist in Mozart's Piano Concerto No 16. Also tomorrow (351555)

### ■ LONDON

MUSIC

**Covent Garden** 20.00 First night of new production of Capriccio staged by John Cox, designed by Mauro Pagano and conducted by Jeffrey Tate, with cast led by Kiri te Kanawa, Anne Howells, David Rendall and Thomas Allen. Also Fri. Wed and Sat: Die Fledermaus (240 1066)

**Coliseum** 19.30 The Love for Three Oranges, staged by Richard Jones with cast led by Anne Collins as Princess Clarissa, Phyllis Cannan as Fata Morgana and Donald Maxwell as Leander. Also Wed and Sat. Tomorrow and Fri: Madam Butterfly (836 3161)

DANCE

**Royal Festival Hall** 19.30 English National Ballet production of The Nutcracker choreographed by Peter Schaufuss. Runs till Sat (928 8800)

THEATRE

This week's shows include Pinter's The Homecoming directed by Peter Hall, with Warren Mitchell and Cherie Lunghi (Comedy, previews). Also The Wind in the Willows directed by Nicholas Hytner and Ian McKellan as Richard III (National), Ingmar Bergman's Scenes from a Marriage (Wyndham's). Vanessa, Lynn and Jemma Redgrave in Three Sisters (Queens). Joan Collins in Private Lives (Aldwych). Miss Saigon (Drury Lane). Andrew Lloyd Webber's Starlight Express. Aspects of Love and Phantom of the Opera. Anouilh's The Rehearsal (Garrick). Ayckbourn's Man of the Moment (Globe, closes Sat) and Absurd Person Singular (Whitehall). Phone Theatreline for seat availability: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

### ■ MUNICH

MUSIC

**Staatsoper** 19.00 First night of Yuri Lyubimov's production of The Love for Three Oranges designed by David Borowski and conducted by Wolfgang Sawallisch. Cast includes Alejandro Ramirez, Artur Korn and Sabine Hass. Also Wed and Sat (221316)

**Philharmonie** 20.00 Munich Philharmonic Orchestra conducted by Uros Lajovic play Mahler's First Symphony and Tchaikovsky's Violin Concerto, with Thomas Zehetmair soloist. Repeated tomorrow (48098 614)

THEATRE

**Prinzregententheater** 19.30 Mein Kampf by George Tabori (225754)

### ■ NEW YORK

MUSIC

**Metropolitan Opera** 20.00 Andrea Chénier conducted by Julius Rudel, with Lando Bartolini in the title role and Sherrill Milnes as Gerard. Tomorrow and Sun: Faust. Thurs: James Levine conducts new production of Die Zauberflote (362 6000)

THEATRE

This week's shows include Assassins, new musical by Stephen Sondheim (Playwrights Horizons). City of Angels, musical about Hollywood in the 1940s by Larry Gebhart (Virginia). Black and Blue, an evening of classic jazz and blues with tap-dancing (Minskoff). Monster in a Box, one-man show by Spalding Gray (Lincoln Center) and Six Degrees of Separation, new play by John Guare (Lincoln Center). Ticketron (239 6200) answers inquiries and sells tickets

### ■ PARIS

Music

**Opera Bastille** 20.30 Marek Janowski conducts Orchestre Philharmonique de Radio France in Schumann's Fourth Symphony and Mendelssohn's incidental music to Die erste Walpurgisnacht. (4001 1616)

**Théâtre des Champs-Elysées** 20.30 Shlomo Mintz is conductor and soloist in all-Mozart programme with Israel Chamber Orchestra, with Augustin Dumay violin, also Thurs. Tomorrow: The Golden Cockerel, final performance in Paris season of Leningrad's Maly Theatre (4720 3637)

**TMP-Chatelet** 20.30 Piano recital by Daniel Barenboim. Tomorrow at 19.00: Hermann Prey sings Schubert (4028 2840)

### ■ PRAGUE

**Smetana Theatre** 19.00 Don Giovanni. Tomorrow: Martinu's The Miracle of Our Lady. Wed: Madam Butterfly.

### ■ ROTTERDAM

**De Doelen** 20.15 Biedermeier Quintet and Ronald Brautigam piano play music by Reicha, Spohr and Onslow. Thurs and Fri: Mariss Jansons conducts Rotterdam Philharmonic Orchestra in Bartok and Beethoven, with Alicia de Larrocha (413 2490)

### ■ UTRECHT

**Vredenburg** 20.15 Piano recital by Alicia de Larrocha. Fri: Hans Vonk conducts Netherlands Radio Philharmonic Orchestra in Bruch and Tchaikovsky. Sat: Mariss Jansons conducts Rotterdam Philharmonic Orchestra. (314544)

### ■ VIENNA

MUSIC

**Staatsoper** 19.30 The Nutcracker. Tomorrow and Fri: Tristan und Isolde with Hildegard Behrens. Wed: Placido Domingo and Agnes Baltsa sing Samson et Dalilah, conducted by Georges Prêtre (51444 2960)

**Musikverein Grosser Saal** 19.30 Isaac Karabtchevsky conducts Tonkunstler Orchestra in Brahms German Requiem, with soloists Tina Kiberg and John Brocheler.

**Brahms-Saal** 19.30 Vienna String Sextet play works by Zebinger, Mozart and Gade (505 8190)

THEATRE

**Akademietheater** 20.30 Siberien by Felix Mittlerer. Also tomorrow (51444 2218). Telephone sales of tickets for Staatsoper and Volksoper available worldwide for holders of credit cards by ringing Vienna 5131 513

### European Cable and Satellite Business TV

(all times CET)

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FINANCIAL TIMES

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Monday January 7 1991

# How to help east Europe

A YEAR OR SO ago President Gorbachev looked like Good King Wenceslas, the Czech king immortalised in the carol. The whole of eastern Europe, minus the Baltic states and Königsberg, virtually all of Stalin's wartime gains, were given up without a fight. Walls fell, the shadow of nuclear war lifted, new vistas opened up for future global co-operation. The ode to joy rang loud and clear.

That sound already seems distant. The West's relief at the ending of the Cold War is history. It has been superseded by fears of political instability and an awareness that integrating eastern Europe, not to mention the Soviet Union, into the world economy poses difficulties of an hitherto unimagined complexity.

If successful renovation of eastern Europe will be difficult, that of the Soviet Union looks almost impossible. Mr Gorbachev's perestroika has failed. The Soviet economy now stands on the edge not of a radical structural reform, but rather of a hyperinflationary collapse.

The discrediting of the Stalinist system has led not to a new socialist humanism, but to confusion, disruption and fear. Mr Gorbachev has accumulated enormous emergency powers but, in the process, has lost his trusted foreign minister, who warned just before Christmas that the "men with epaulettes" wished to restore dictatorship.

## Confusion and fear

Five years of unprecedented contacts with western governments, arms control experts, politicians, businessmen, bankers and academics dramatically changed the perceptions of the top leadership about the backwardness of the Soviet model. The original concept of a reform aimed at preserving the essence of the Soviet system – still adhered to by men like Mr Nikolai Ryzhkov, the Prime Minister – carries no intellectual conviction.

In its place has come radical talk of free markets, private property and other "bourgeois" concepts, like the rule of law and multi-party politics. Proposals for radical economic reform, such as the Shatalin plan, were accompanied by plans for a new Treaty of Union and talk of a break up of the centralised state on federal lines.

Unfortunately, ideas like these have no virtually no roots in Russian history. They appear to be understandable to, and acceptable by, only the tiniest minority of the Soviet elite. Fortunately, some of the economies of east Europe are better equipped and far further ahead. The best prognosis is reserved for the few "fast track" economies of a region where economic backwardness tends to deepen the further east one travels.

The absorption of eastern Germany into the former Federal Republic is a special case. While the initial shock has been immense, east Germany does have west German resources, skills and money at its disposal.

Czechoslovakia, Hungary and Poland lack this advantage, but at least they have neither the massive inflationary overhang nor the political problems that bedevil the Soviet Union. Their aim is to be eligible for EC membership by the end of the century. This aim is ambitious, but feasible. For the EC, it should be an imperative.

Further ahead though they may be, even these countries need as much help as possible in the face of growing popular disenchantment with the sacrifices required. Without support from the West there is a danger of bitter political divisions and a destructive populism.

For their part, Romania and Bulgaria need re-assurance that their distance from the main european markets and relative economic backwardness do not disqualify them from a future in Europe. Their best hopes lie in modernising their agricultural and tourist industries. They could also capitalise on their proximity to the middle east.

All these countries are now looking to Europe, America and South-east Asia to help rebuild their economies and sustain their societies, especially during the difficult next few years. At best, an orgy of more or less "creative destruction" is in prospect before the hoped for long-haul to a more prosperous future can begin.

According to a recent study by Morgan Stanley, national income in eastern Europe is likely to decline by 8.5 per cent in 1991 after this year's 11 per cent fall. Unemployment is likely to rise to 14m, or 21 per cent of the working population, by 1994 with another 30 to 40m prospective unemployed in the Soviet Union. Unemployment on such a scale would stretch these fragile societies to breaking point.

Over the last year an army of accountants, lawyers, entrepreneurs and dealmakers has been combing the hitherto inscrutable books of state owned enterprises seeking the answers to unasked questions about real asset values, cash flow and the like. Most of the answers have been bleaker than expected.

## Strategic investments

The real value of the thousands of enterprises up for privatisation is minimal. The few "cherries", or "jewels in the crown" have been identified and the first big foreign equity investments – like Asea Brown Boveri's takeover of the region's power generating plant makers or the *Volkswagen link-up with Czechoslovakia's Skoda*, are starting to materialise. The pace should speed up in 1991 as western companies make the strategic investments which will link the economies of eastern Europe with those of the European Community.

Private investment will be forthcoming only slowly, but what should be the role of official assistance? Loans, technical assistance from the IMF and World Bank, greater access to protected markets for industrial and farm goods, the creation of currency stabilisation funds, large scale debt forgiveness are all important and helpful. These are the obvious components of the co-ordinated policy approach set down by the group of seven industrialised countries at the *Houston summit last July*.

None the less, official assistance can only be useful in response to a determined and well-conceived effort at reform. Aid is neither a substitute for such reform nor a guarantee that it will succeed. It should be offered as an incentive for the determined, not a cushion for the timid.

Where that determination exists, substantial support is justified, in certain cases by the west's moral obligations and in all cases by western self-interest. Where no such determination can be found, the West must be vastly more cautious. Propping up the incompetent will prove self-defeating, propping up the tyrannical is immoral.

Where the outcome matters most to the West – in the Soviet Union – *it can do least. The report from the four* western international agencies, published just before Christmas, clarifies the scale of the task and how little the Soviet government has achieved so far, other than destroy what it had and, in the process, discover how much has to be changed.

Where the West has both something to work with and a clear interest in a successful outcome, as in Poland, Hungary and Czechoslovakia, it should offer the help these countries need. These three countries must succeed. If they do not, the remainder will despair. If problems have turned out to be greater than initially hoped, the response should be a still greater willingness to help. Otherwise, the River Neisse will end up as the permanent border between two halves of a Europe as divided economically as it once was politically.

Aircraft leasing, one of the most spectacular bull markets of the past decade, faces tougher times. **John Plender** reports

# A business comes back to earth

The world's leading aircraft manufacturers have the biggest backlog of orders in the history of the industry. The airlines are suffering from a sharp collapse in profitability as a result of soaring costs and uncertainty arising from tension in the Gulf. Banks are pulling in their horns, having earlier fuelled the boom in this exceptionally cyclical market. Such a combination of circumstances is clearly untenable and something has to give. All eyes are on the aircraft leasing companies, which are reckoned by some to account for nearly 40 per cent of the projected increase in the world aircraft fleet by the mid-1990s. More specifically, attention is directed at the *wunderkind* of this upstart business, the Shannon-based GPA Group whose chairman is Mr Tony Ryan.

GPA, which used to be known as Guinness Peat Aviation, is the creature of one of the most spectacular bull markets of the past decade. When aircraft orders collapsed in the early 1980s and overcapacity in the aerospace industry caused huge discounts to become available on the price of new aircraft, it was one of a small number of leasing companies to seize the buying opportunity before demand turned up. In the six years to March 31 1990, post-tax profits soared from \$17m to \$242m.

GPA's orders and options now account for half the aircraft orders of the whole leasing business and 10 per cent of the world total. On the basis of recent transactions in its shares (which remain unlisted) the company was valued at nearly \$4bn before Iraq's invasion of Kuwait. The board-*room is now graced with such* high-powered political and business dignitaries as Mr Nigel Lawson, former chancellor, Sir John Harvey-Jones, late of ICI, former European Commissioner Mr Peter Sutherland and the last Irish premier but one, Dr Garret FitzGerald.

**The question that preoccupies the industry is how all the outstanding aircraft orders are going to be financed in a cold climate**

But times have changed. And the question that preoccupies the industry is how all the outstanding aircraft orders are going to be financed in a cold climate. More bluntly, are GPA and its fellow leasing companies about to go into a tail-spin?

The broad assumptions on which orders were being placed before the *Gulf crisis could be summarised* as follows. The growth in demand for air transport measured in passenger miles was widely expected to run at about 6-6¼ per cent during the 1990s, reflecting the underlying growth of gross world product. Deliveries of new *aircraft, on the basis of last February*'s authoritative annual forecast from Boeing, were expected to run at more than 700 a year in the five years to the end of 1995, while older craft were retired from the global fleet at the rate of about 300 a year.

Today, assumptions about demand are being scaled back as recession takes hold and ticket prices are raised in an attempt to pass on higher fuel and other costs. A question-mark hangs over the number of retirements from the fleet and thus over the requirement for new aircraft – not least because of the profound impact that the growth of the aircraft leasing business could have on the equation.

The growth of leasing companies before the 1980s was based largely on finance leases: long-term mortgage-type loans under which the lessor takes a banking return over the life of the lease, leaving the aircraft in the hands of the airline on expiry of the loan. Latterly the growth has come chiefly from much shorter-term operating leases, which run for only part of the life of the aircraft. Here the leasing company owns the aircraft and rents it to the airline. Together with its bankers and other financiers the lessor takes more of a risk on the residual value of the aircraft at the end of the lease than the creditworthiness of the airline. Increasingly, the operating lessor sells the aircraft, suitably packaged as a financial asset, to investors and then leases it back.

In both cases the exploitation of the airlines' capital allowances for tax purposes provides an important part of the rationale. With an operating lease the airline has the further advantage that the leasing liability is removed from the balance sheet. The leaders of the industry are GPA; the US-based ILFC, which was recently acquired for \$1.3bn by insurance giant American International Group; and Ansett Worldwide Aviation Services, jointly owned by TNT and Mr Rupert Murdoch's News Corporation.

The economic *raison d'être* of leasing companies lies in arbitrage gains between different national tax systems and the respective requirements of airlines and manufacturers across the world. Yet it seems highly questionable whether that alone can explain such astonishingly rapid growth. Could it be that in acting as market makers in a very imperfect market the leasing companies and their backers are adopting more optimistic assumptions about operating risks and residual values than the airlines with which they do business?

By definition the leasing companies' customers tend to be the ones with balance sheets that cannot take the strain of more direct acquisitions of aircraft. The customers are also, given the short term of standard operating leases, able to structure their portfolios so as to reduce the number of aircraft very rapidly if passenger demand suddenly drops. *Risk* is thus transferred from the carrier to the leasing company, whose second-hand asset may turn out to be less valuable in a recessionary climate. A recent report from S G Warburg's Tokyo office concludes that "a major contri*bution to the popularity of operating* leasing is a mismatch in the assessment of equipment value risk between airline managements and lessors". Warburg's analysts foresee "ruinous overcapacity" on the basis of present demand and order trends.

*That is by no means a unanimous* view. Mr Julius Maldutis of Salomon Brothers (which is a shareholder in GPA) argues that the glut will be confined to older aircraft. And because a decade of fleet modernisation was largely postponed in the previous downturn, the industry is, he believes, at the start of "a massive aircraft grounding cycle that will take a decade to complete", which would imply a shortage of modern aircraft. That is what GPA is gambling on. But the stakes are now much higher than in its earlier buying spree in the 1980s. Even without recession and the Gulf crisis, the group's balance sheet would pose a monumental question.

GPA's capital commitments at the end of September were for firm orders *of \$11.8bn and a further \$13bn or so of* non-binding commitments such as options – huge sums in relation to its existing equity of about \$1bn and credit facilities of \$5½bn. And the risks are all the more daunting given that most of these aircraft will be looking for gainful employment at a time when many outside forecasters are predicting excess deliveries in relation to the underlying demand (see chart). A still more extraordinary feature of GPA's finances is that it has openly acknowledged that these capital commitments could not conceivably be supported by its own balance sheet even on optimistic assumptions about retained profits and the availability of new equity and debt. It is relying crucially on the growth of *investor demand for aircraft* as a financial asset. Will such demand materialise, especially if airline prospects deteriorate further and the doomsters prove right about a glut of aircraft?

GPA president Mr Maurice Foley is far from pessimistic. He accepts that GPA's earlier forecasts for world passenger traffic growth to 2,000 may require some modest downgrading. But he also believes that the high cost of bringing the fuel-inefficient older generation of aircraft up to structural scratch and required standards of noise compliance will be prohibitive, leading to mass retirements. As for the risk of 'whitetails' – aircraft with no airline emblem on the tail because they are surplus to requirements – Mr Foley says that the length of the order cycle and the lead time on *options allows for* slippage in deliveries by the manufacturers.

GPA claims not unreasonably that the global nature of its business is a strong defensive merit, as is its lack of exposure to the weak US market, which last year accounted for little more than 10 per cent of profits after interest but before overheads. The termination dates of the leases in its portfolio are not heavily concentrated in the short and medium term (see table); and in the rare cases where it *has confronted* airline defaults GPA has shown a remarkable ability to re-market its aircraft and minimise loss. Above all the company's portfolio consists largely of modern, fuel-efficient aircraft whose average age is less than five years. Price falls have *so far had their main impact on the* residual values of older aircraft.

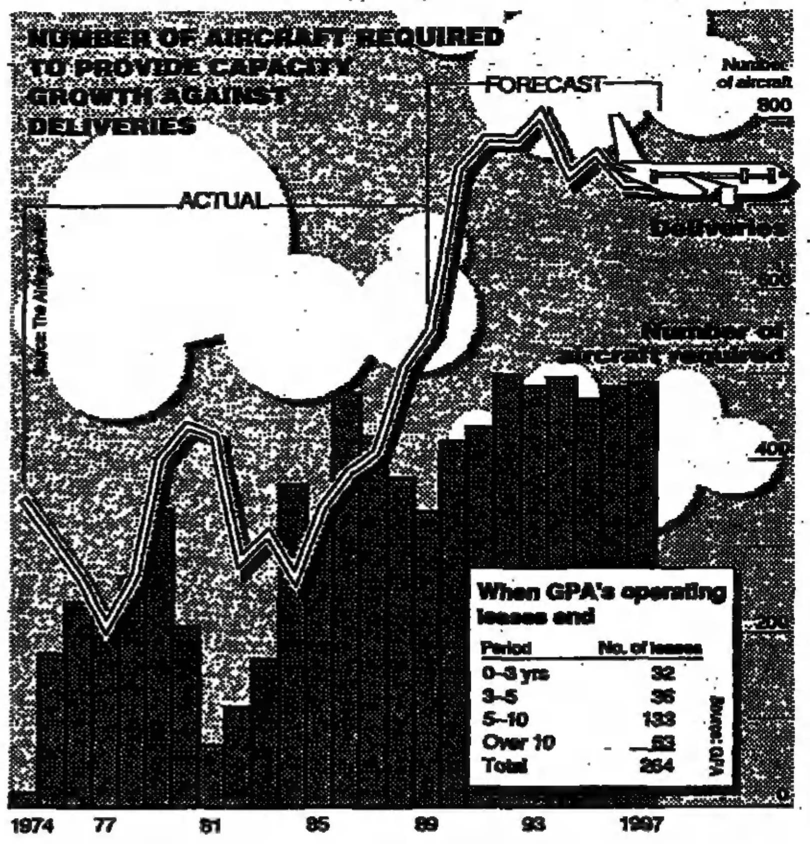
What does worry Mr Foley is the more immediate problem of a squeeze in the banking system, which he rates a more serious threat than increasing fuel prices or recession. GPA, he says, *is writing the same number of deals* as six to nine months ago, with no material change in prices. "But in recent weeks," he adds, "the credit crunch is having some effect on people's ability to close transactions."

The US banks are scarcely lending. And there are particular problems in Japan. S G Warburg estimates that about half of all aircraft deliveries last year were conducted by means of so-called Japanese leveraged leases, through which Japanese tax reliefs could, in effect, be exported. Even if the estimate is on the high side the fact that a change in the tax rules has killed this market can only have a powerful negative impact. So, too, with the tightening of monetary conditions. The process whereby the Japanese credit boom spilled over into the international aircraft financing market in the late 1980s has now gone into reverse. Since 38 per cent of GPA's existing credit facilities comes from Japanese banks, this is clearly important.

The greater part of the solvency risk in the leasing industry is probably not being carried by GPA, ILFC and Ansett, which together account for about three-quarters of the business and whose portfolios consist predominantly of newer aircraft. It lies with the smaller lessors that bought older aircraft on over-optimistic *assumptions about residual values*. Also with the investors, including US money funds and large Japanese companies looking to shelter profits from tax, who participated in leasebacks.

But that is not to say that the giants of this industry, which has *never before faced recession*, are not vulnerable, especially to a profits shock. GPA's growth has been predicated on on the continuing availability of credit and the ability to sell large numbers of aircraft in a secondary market. On outside brokers' esti*mates it probably derives more than* half its profits from aircraft sales. Much hinges, then, on aircraft values. According to Salomon's Mr Maldutis there has been some softness in the secondary market for newer aircraft. And the confidence of investors whose support GPA badly needs for future sale and leaseback transactions may not be helped by worries about the impact of a credit crunch on the aircraft supply-demand equation, or by further dismal airline results in the pipeline. Nor again by the fact that so many have misjudged the residual values of older aircraft and that leasing in general has acquired a bad name with investors.

Mr Foley is not prepared to forecast a decline in profits or the deferral of a flotation planned to take place by the end of 1991. Yet it is hard for the outsider to believe that a company the size of GPA, however quick on its feet, can buck the vicious industry cycle this time round. The glory days are surely over for the moment.




**Principal corporate shareholders in GPA group & joint ventures**

| EUROPE | JAPAN | NORTH AMERICA |
|---|---|---|
| Aer Lingus | Chiyoda Finance | Air Canada |
| Airbus Industrie* | Japan Leasing | Bank of Nova Scotia |
| Allied Irish Banks | Kawasaki Enterprises | CFM International* |
| ATR* | The Long-Term Credit Bank of Japan | Citicorp |
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| Banque Paribas* | Mitsui & Co* | Northwestern Mutual Life |
| Fokker* | Nippon Life Insurance | PacifiCorp Credit |
| Foreign & Colonial | Tokio Marine & Fire Insurance | Prudential Insurance |
| Gamlestaden | Yamaichi Securities | PWA Corporation* |
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| Irish Life Assurance | INDONESIA | Toronto Dominion |
| Lufthansa* | Garuda | |
| Nyckeln | | |
| Rolls-Royce* | | |
| J Rothschild Holdings | | |
| San Paolo di Torino* | | |
| Swissair* | | |

* Investors in joint ventures
Source: County NatWest

# OBSERVER

## Trouble in Bergerland

■ Will the Berger family, one of Britain's most secretive and wealthiest property landlords, come to the aid of young Berish Berger, whose plans to turn the old West London air terminal into a luxury apartment block have run into financial difficulties?

American educated Berish is not another Donald Trump. But, coming from a strict orthodox Jewish family which shuns publicity, he has been surprisingly visible.

His Land & Property Trust has an office in the West End, and he is often seen driving a car, unlike most of his relations who are rarely spotted.

His dash for growth over the last few years, culminating in the risky £140m purchase of 17 superstores from Tesco little more than a year ago, is in stark contrast to the rest of the family's low profile, conservative approach.

Gerson Berger, the founder *of the North London residen*tial property empire, came to England as a penniless Rumanian refugee in the 1920s. He started life selling beans door to door and by World War 11 he was making torch batteries. He then went into property, starting with the purchase of 16 flats in Merton in 1944.

The true extent of Bergerland is unknown. Although there is a publicly quoted arm, Palmerston Holdings, the real wealth is hidden away in a web of private companies whose profits help finance various religious charities. When Gerson died in 1978, without leaving a will, one report estimated that he controlled a property empire of close to half a million houses and flats. The core of the family business centres on London's Stamford Hill and Stoke Newington.

Last year the Sunday Times estimated that Sighismund, Gerson's son, was worth £330m. If anywhere near correct, this would put him on a par with old money such as the Cayzers and make him richer than traditional landlords such as Lord Howard de Walden.

However family fortunes do not stay in tact for long if they have to be tapped as lenders of last resort for errant offspring. Hence the nervousness of Berish's bankers.

## Not so tip top

■ Tipping shares is a dangerous practice, as Trevor Pullen of the mighty Prudential ought to know. His none-too-prudent tip for 1990, revealed in Money Observer's January edition, was Polly Peck.

Not that the performance of the other fund managers was that great. Even excluding Mr Pullen's choice, the average tip from the 25 so-called experts fell by 22 per cent between January 1 and December 7, the period measured by *the magazine. That compares* with a 12.8 per cent decline in the FT-A All-Share over the same period.

Money Observer charitably covered its experts' blushes by reminding readers that the share tips should not have been regarded as a recommendation for the entire year. At some point during the year, the magazine points out, every one of the experts' 25 selections showed gains.

## SDR inventor

■ Central banks tend to be more important than individual central bankers, these days. But the death of Italy's Rinaldo Ossola, who passed away virtually unnoticed last month, is a reminder that this has not always been the case.

The 77-year old Ossola, who studied at the London School of Economics, is best known for the authorship of the eponymous report of 1964 which led to the creation of a genuine innovation in the post-war international financial system – the special drawing right.

*He later went on to become* director general of the Bank of Italy from whence he continued to maintain a formidable reputation for his contributions to the debate on reform of the international monetary system. Among his many publications there was even one brave title – The Future of Sterling: A Logical Approach.

He is remembered with tremendous affection among that generation of 40-year olds now occupying senior positions in the central bank. Quite apart from a mind which could scythe to the heart of any problem, his self-mocking sense of humour made him a rarity among a class of Italian technicians which is always disposed to take itself too seriously.


"Norman's ceased caring who knows he's wearing a toupée."

## Bermuda-bound

■ One person who will be losing less sleep than some over the ups and downs of ADT, the mercurial Michael Ashcroft's security and cleaning services multinational, is Michael DeGroote.

The Belgian-born Canadian has severed his remaining links with Laidlaw, the Ontario-based company which owns 28 per cent of ADT, and is retiring to Bermuda. The 57-year old entrepreneur plans to enjoy the the fruits of the fortune he has made over the past three decades. He transformed Laidlaw from a small Canadian truck operator to one of North America's biggest school bus and garbage removal companies.

He pocketed close to C\$500m in cash and shares in 1988 by selling his controlling stake in Laidlaw to Canadian Pacific. He stayed on as chief executive until last August, spearheading what many believe was one of the few mistakes Laidlaw has made – its investment in ADT.

DeGroote is said to have paid \$7.2m for his 15-room retirement home, which also includes a skeet shooting range and a half-mile jogging track. Known as Perot's Island, it *is a seven-acre hideaway on* the western tip of Bermuda. The property was at one time owned by the families of Barney Barnato and Solly Joel, the South African gold and diamond magnates.

Until he quit as a Laidlaw director just before Christmas, DeGroote was the Canadian company's sole nominee on the ADT board. He is staying on, but presumably Laidlaw will now be wanting to increase its representation on the board of its controversial investment.

## Some advert

■ Last month's issue of Euromoney, the financial monthly, was unusually thin.

This may reflect seasonal advertising pressures, but it may also reflect the issue's theme: "The world's best banks". Somehow, the list just doesn't seem to take up as much space as it used to . . .

FINANCIAL TIMES CONFERENCE

INTERNATIONAL BANKING
London - 13 & 14 February 1991

The new decade finds the world banking industry at a critical juncture. The threat of recession in several leading economies is adding to the pressures on banks which have already been weakened by losses on real estate lending and the decline in stock market values. The Financial Times Conference on International banking will assemble a distinguished list of leading figures from the commercial, investment and central banking worlds to address the issues facing the industry from a wide geographical perspective.

Speakers include: Sir John Quinton, Barclays Bank PLC; Mr Wladyslaw Baka, Narodowy Bank Polski, Dr György Surányi, National Bank of Hungary; Mr John Flemming, EBRD; Mr Thomas G Labrecque, The Chase Manhattan Bank NA; Mr Anthony Loehnis, S G Warburg & Co; Mr Brian Quinn, Bank of England; M. André Lévy-Lang, Compagnie Financière de Paribas; Mr Toru Kusukawa, The Fuji Bank, Limited and M. Jean-Yves Haberer of Crédit Lyonnais.

EUROPEAN INSURANCE FORUM
London - 18 & 19 February 1991

New Markets, New Risks and corporate strategies for insurers in Europe will be the focus of this high-level management Forum to be arranged by the Financial Times.

Among the issues to be examined will be the effects of the non-life and life directives; the changing character of risks over the next ten years; success in the new Europe - how leading players are adapting; regulation and finance - a level playing field?

The conference brings together leading figures from the industry as well as international experts on risk management including: Mr Humbert Drabbe of the Commission of the European Communities; Dr Roberto Pontremoli of La Previdente; Mr Peter Schroeder of Zurich Insurance Group; Mr H Felix Kloman of Tillinghast; Mr Björn Wolrath, Skandia Group; M. Claude Tendil, AXA; Mr David Coleridge of Lloyd's of London and Mr David Rowland of the Sedgwick Group.

LONDON MOTOR CONFERENCE
London - 4 March 1991

Mr Robert Eaton, President of General Motors Europe will deliver the keynote opening address at the 1991 FT London Motor conference and the authorative panel of the contributors will include Dr Klaus Stöver, Commission of the European Communities; Sir Trevor Chinn, CVO, Chairman and Chief Executive, Lex Service PLC; Mr Martin Swig, President, San Francisco Autocenter, Inc; Mr Robert Dale, Managing Director, Lucas Automotive Ltd and Mr Rob Golding, Director, Motor Industry Research, S G Warburg Securities.

This one-day meeting - the seventh in a well received series - will examine EEC competition policy and its impact on the motor industry in Europe after 1995, changing distribution patterns and dealership structures, components sourcing and joint ventures.

All enquiries should be addressed to:
Financial Times Conference Organisation,
126 Jermyn Street, London SW1Y 4UJ.
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هكذا من الأصل

Japan's robot industry may be stealing a march on western rivals like its machine tool makers did in the 1970s, writes **Ian Rodger**

# Factories where the future works

In the mid-1970s, Japan's machine tool makers stole a march on western competitors, achieving big improvements in the cost effectiveness of their products by putting computer controls on them.

Within a few years, they had won huge shares of US and European markets and, with *the benefits of economies* of scale in production, were able to overwhelm most western competitors.

It is beginning to look as if Japanese robot makers are pulling off a similar feat.

For the past 20 years, robot making has been one of those businesses that attracted all kinds of manufacturers (including very big ones like Westinghouse Electric, General Electric and IBM) because of its seemingly high growth potential.

But, except in Japan, it has yet to deliver on its promise. As recently as 1983, a prominent US analyst of the factory automation industry predicted that US robot sales would rise to $2bn by 1990, as more and more applications in welding, materials handling and assembly processes became perfected. In fact, last year they were less than $500m.

The relatively slow acceptance of robots by western manufacturing companies is mainly due to resistance from trade unions, flaws in the machines and the programming that goes with them and the general conservatism of *production* managers. *That* has been enough to induce most of the big US suppliers, including Westinghouse and, most *recently, Cincinnati* Milacron, to lose patience and withdraw, leaving the field to a few Japanese and European makers.

**Robots are attractive to Japanese industry because they enable it to cut costs and to combat the labour shortage**

*Among the survivors,* a few Japanese companies are looking more and more formidable, and for much the same reasons that enabled Japanese companies to succeed in machine tools.

● Like the Japanese machine tool makers, the country's robot makers persisted in trying to develop more reliable, cost effective products, regardless of poor or non-existent profits on them.

In part, this reflected the typically Japanese tendency to take a long term view, but there were special reasons for *confidence that* the robot market, like that for machine tools, would eventually come right.

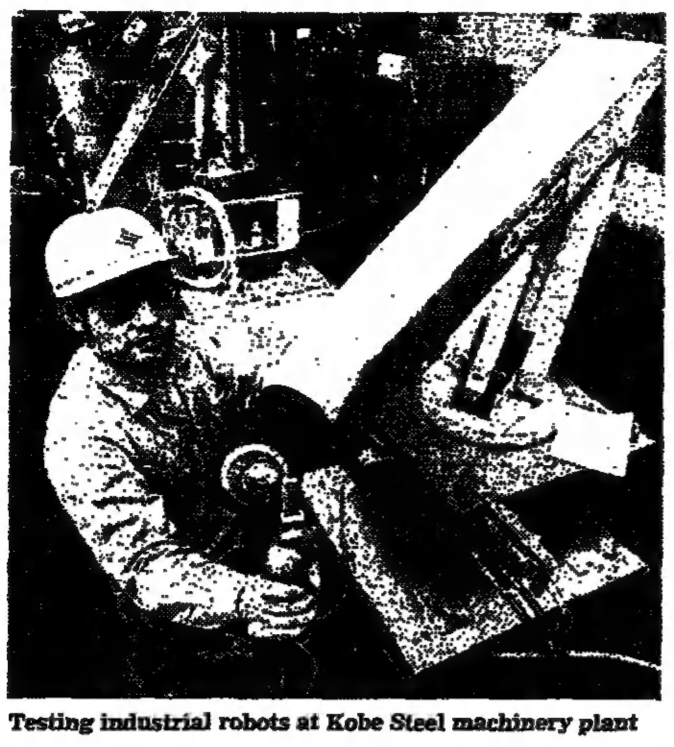
Japanese manufacturers lack natural competitive advantages, and so are always more eager to embrace innovations in production technology than their western competitors. The concept of the robot is particularly attractive to them because it offers the *potential* not only to reduce costs of production processes, but also to ease the chronic labour shortages they *face*.

Robot sales have always been much higher in Japan than in the West. At the end of 1988, *two thirds* of the 256,000 industrial robots in operation in 16 leading industrialised countries were in Japan. Also, the *business has turned out to* be fairly reliable. As Mr Seiuemon Inaba, president of Fanuc, a leading Japanese supplier, *puts* it, "There is *no cycle in* robot demand – it just continues to grow."

● As in the case of machine tools, Japanese robot makers were the first to see the strategic potential of a technological development. This was the emergence in the late 1970s *of* precision servo-electric motors powerful enough to manipulate the arm of a robot while it was *spot welding a car body or carrying* a big load. Until then, industrial robots used hydraulic systems, which were subject *to frequent* breakdowns and were dirty and expensive to service.

It is not clear why the top *US makers* were *so slow* to introduce such electrically powered robots – Cincinnati Milacron, for example, introduced its first one in 1987 – but by the time they did, it was too late.

● Just as the Japanese machine tool industry got a big boost in the mid-1970s because of its customers' anxiety over how to overcome the cost of the oil shock, robot makers too have benefitted enormously in the past four years from another crisis in Japanese industry.



Testing industrial robots at Kobe Steel *machinery plant*

The crisis had two aspects, *both of which contributed to* demand for robots. On the one hand, the revaluation of the yen in 1986 put great pressure *on manufacturers to cut pro*duction costs. At the same time, the stimulation of domestic demand from 1987 aggra*vated labour shortages to* an extent not seen since the early 1970s.

The number of robots *installed in Japan has more* than doubled since 1986, and the Japan Industrial Robot Association is forecasting that it will nearly double again by 1995.

The labour shortage has even stimulated the introduction of robots in non-manufacturing areas in Japan. For example, construction companies now use them to assemble steel girders, smooth concrete slabs and drill tunnels.

Still, until recently, the Japanese robot industry, like that in other countries, was not particularly prosperous. Robots *are not difficult to make* and they are not subject to the kind of rapid innovation cycles found in some electronic goods *sectors. As a result, the sector* has long been overcrowded. According to the Japan Industrial Robot Association, more *than 230 companies still make* and sell robots in Japan alone.

As elsewhere in the world, price competition has been *severe, but the industry seems* to be maturing. "Everyone has been having a very difficult time, but a shakeout has already started," says Mr Hiroyuki Nonaka, deputy general manager of Yaskawa Electric's robotics business. "In Japan now, there are only a few companies we can really consider our competitors."

Industry officials agree that Fanuc, Yaskawa and Kawasaki Heavy Industries (KHI) now dominate the heavy duty robot industry, and each has been investing heavily to consolidate its strength. Fanuc has just begun construction of a Y10bn factory, intending to treble its current robot output of 3,000 units a year. Yaskawa recently opened a totally automated factory (using robots to assemble robots) that will enable it to double output to 9,000 units a year. KHI says it too plans to expand production from the current 2,100 units a year.

*Up to now*, Japanese robot makers' exports have been a relatively modest 20 per cent of sales, and most overseas sales have gone to the US. For example, KHI has installed more than 1,500 robots in the US to date, but only 200 in Europe. Fanuc too has had its main overseas success in the US through its joint venture with General Motors, GMF Robotics.

Now, however, there is reason to expect that they will focus their attention more on the European market.

"We are expecting an increase in sales in Europe, partly because of the construc*tion of Japanese car factories* there," Mr Naohide Kumagai, assistant general manager of the robot division of KHI, says.

*Yaskawa likewise is stepping* up its efforts in Europe, having established partnership arrangements with companies in *Sweden, Germany* and Spain.

Still, it is by no means inevitable that the Japanese will *sweep the field in* Europe as they have in the US.

Japanese industry officials point out that the marketing of *robots is much more* demanding than that of machine tools and other industrial machinery. Each robot application *tends to be unique, meaning* that bespoke programming has to be developed for it, and a lot of service provided after installation. *That makes selling from* a long distance away rather difficult.

GMF and KHI are trying to *go it alone in Europe, but* Yaskawa and many others have taken a different approach. "In most countries, we have busi*ness partners, and they use our* robots in systems that they design and service," Mr Nonaka of Yaskawa says.

*The Japanese companies* also recognise that the leading European robot makers, especially companies like Kuka of West Germany, Comau *of Italy* and Asea Brown Boveri, the Swedish-Swiss group that bought Cincinnati Milacron's robot business in September, are unlikely to give up easily.

"I think Kuka and Asea will remain strong. They are trying very hard to improve their products, and the European car industry rates them highly," Mr Kumagai says.

## *LOMBARD*

# How lower inflation will bring recovery

**By Samuel Brittan**

If the whole of the British economy *responded* to recession with the same alacrity as the high street stores, the downturn would soon be over. I refer of course to the slashing of prices in the new year sales which this time seems genuine.

Unfortunately these stores represent only a fraction of the economy and cannot bring about *recovery* unaided. In other sectors the same responses will follow, but much more slowly after output has already *suffered*.

Thus, if the British stagflationary disease were to be summarised in one sentence, it is *that adjustments to a changing* environment are too much in the form of quantity and not enough in the form of price.

*The most important prices* are of course wages and salaries which account for some 70 per cent of value added. The instinctive response to recession is to cut outlays and to trim staff. Lower prices are almost the last resort and lower wages – *or more accu*rately reductions in the rate at which they are increased – come bottom of the list. But until *that* has happened *no* durable recovery can occur.

The assumption behind all I have so far said is that total *spending in cash terms* is maintained, either through natural forces or through the actions of governments and *central banks. The response of* business, unions and other economic agents then determines the extent to which a gradually *growing total of cash spending* is reflected in higher output and employment and the extent to which it is wasted in inflation.

The rest of this article puts these simple ideas into a more abstract economic framework. *The growth of total national* spending is best measured by Nominal gross domestic product, which is ordinary GDP, *but* expressed in actual money and not converted into constant prices. Nominal GDP, because it expresses actual cash flows, is the magnitude which governments and central banks can influence – although not precisely or in the short term.

**UK national income projections**
**% change at annual rate**

| | 1988 | 1989 | 1990* | 1991 | 1992 |
|---|---|---|---|---|---|
| Nominal GDP | 11½ | 9 | 8½ | 7½ | 7½ |
| GDP deflator | 6½ | 7 | 8 | 8½ | 5½ |
| Real GDP | 4½ | 2 | 1 | -1 | 2 |

**Corrected for poll tax distortions*
*Sources: CSO and Treasury up to 1990 and Goldman Sachs for 1991 and 1992*

Whether a given increase in Nominal GDP goes into higher output or is dissipated in rising wages and *prices depends on* the response of business, unions and other economic agents. Attempts by govern*ment to inject spending power* irrespective of what is happening to inflation – whether they do so by lower interest rates, budget *deficits* or any other method – blow up in their faces, as has been shown on countless occasions.

*The table shows that Nomi*nal GDP has been growing at just over 8 per cent per annum. A very *slight downwards tilt is* in prospect, in line with the government's counter-inflationary objectives. So long as *this path is observed*, a *fall* in the inflation rate will automatically lead to an output recovery. On the other hand, so long *as pay and price increases* continue on their recent scale, recession will deepen.

**The link to the D-Mark, far from being deflationary, supports demand**

I have used Goldman Sachs' *projections for the UK because* they are more realistic and up-to-date than many others. They show Nominal GDP *growth being maintained* at about 7½ per cent, made up of an output change of *minus* 1 per cent and a continued rise *in the GDP deflator of 8¼* per cent. Goldman Sachs expects both output and underlying inflation to be much worse in the first half of the year than the table suggests, with some recovery in the second half. Looking ahead to 1992, Nominal GDP is *not expected to rise* any faster. In other words there will be no boost to demand in money terms. But *because inflation will have* fallen steeply there will be room for a recovery in output.

Most serious forecasters have pointed out the risk from factors such as the Gulf crisis, the severe corporate financial deficit, the possibility of a bank credit crunch, and so on. Governments and central banks have a responsibility to prevent a spiralling downward plunge. This is best seen as an endeavour to maintain the growth of Nominal GDP at a moderate non-inflationary rate.

But does not the commitment to the ERM and the link to the D-Mark make it difficult to keep even nominal demand on a reasonable path? For the answer look at what is actually happening in Germany. A public sector deficit of at least 5 per cent of GDP is expected in 1991 as a result of unification. Any increase in interest rates will be but a partial offset.

Germany's partners might like to see a different policy mix, with more tax increases *and lower interest rates*. But there is no doubt that the total impact is expansionary, both in nominal and real terms. *Thus the link to the D-Mark*, so far from being deflationary, is a more than adequate support for demand growth. The blame *for* prolonged recession lies neither in German policy nor in British interest or exchange rate policy, but in the rigidities of the domestic labour market: in the vernacular, plain British bloody-mindedness. If this turns out less than it used to be, and less than the doomsters expect, it will be the first sure sign of success for the Thatcher supply-side policies.

## *LETTERS*

### All is not gloom in US education

*From Mr George Kessler.*

Sir, Your leader ("Challenge for US educators", December 27) paints a gloomy and generally accurate picture. However, there are positive points emerging within the US system which we ignore at our peril.

While federal control of education is ruled out by the constitution, a combination of business and presidential power and influence has forced through a national consensus on six easily understood national education goals (expressed in less than 150 *words as against more* than 300,000 for our national curriculum). That these are an effective tool is shown in the *increase of federal expenditure* on education for under-5s in a time of budget cuts.

In addition, US business has *always had a good relationship* with the local community. This could well mean that US vocational training may catch up and overtake the UK in a very short time.

Finally we should remember that some of our more publicised educational *and training* initiatives (such as Tecs and Compacts) are copies of US models.

George Kessler,
*MD, Kesslers Manufacturing,*
*1 Warton Road, E15*

### There is a vast gap between economic reality and the computer model

*From Professor Wynne Godley.*

Sir, Just more than a year ago, David Currie co-authored a prediction that there would be a 2 per cent growth of output up to 1992 with an improvement in the current account deficit, to about £13.5bn. I wrote to the Financial Times at the time ("'Not miserable enough'", November 9, 1989) questioning whether this could be correct, even as a conditional prediction, because I did not believe that with 2 per cent growth the balance of payments would improve at all. My point seems to have been conceded in Mr Currie's latest *forecast* ("A year of retrenchment ahead", January 2), because he now puts the growth rate at less than 1 per *cent* per annum between 1989 and 1991 without much change in his forecast for the balance of payments.

I would not have brought the matter up except that now I feel impelled to disagree strongly with his new conclu*sions* – that with no change in policy, output will rise a little between 1990 and 1991 and, if I have understood him correctly, that a more substantial and sustained recovery will spontaneously occur at some stage.

I think Mr Currie should look up from his computer model and out of the window. If, as he assumes and recommends, there is no relaxation either of fiscal or monetary policy and the present rate of exchange is maintained, we are set for a first class slump which will drive unemployment up dramatically with no prospect that it will ever come down again short of some unforseeable accident. Please will he tell us where he thinks the motor for adequate and sustainable expansion, either in the short or the long term, can possibly be? I would also like him to explain why in a long article about the economic outlook he makes no reference at all to unemployment.

Wynne Godley,
*Dept of Applied Economics,*
*University of Cambridge*

### Wages and ERM: why is the state struck dumb?

*From Mr Robert Tyrrell.*

Sir, Professor Currie's article makes the correct point that our medium-term economic future hinges crucially on the speed with which pay settlements adjust to the *de facto* reality of a fixed exchange rate. If pay settlements moderate swiftly (and if productivity growth simultaneously accelerates), the benefit to the economy could be measured in billions of pounds.

In many other areas of social and economic life, the government has shown itself willing to become more preceptorial and to use mass communications towards its policy ends – to accelerate our rate of progress along the experience curve. This has been the case with Aids, training and privatisation. Why not with wages and ERM membership? There are a series of possible reasons for this, but none which really stands upon examination.

First, it may be said that the exposure the issue is getting through ministerial statements is doing enough. While it may be that the Financial Times gives the debate wide coverage, this is true neither of the subject *per se* nor of the rationale for moderate wage behaviour in the tabloids and other more popular media.

Second, the subject may be deemed too complex to be amenable to Aids/training/privatisation treatment. However, these seem pretty complex issues themselves and I doubt the matter has been considered and rejected on these grounds.

Third, the subject may be deemed too political. But since Labour policy and rhetoric now endorses ERM membership and "wage discipline", this objection cannot stand.

Fourth, no one in the Treasury might have thought of it.

Finally, the government may be prepared to devalue sterling to "bail us out" and therefore cannot launch a high-profile advertising campaign saying the contrary. There is no answer to that one, whichever way you look at it.

R. Tyrrell,
*MD, The Henley Centre,*
*2 Tudor Street, EC4*

### Mixed credits

*From Mr Albert H Hamilton.*

Sir, Eximbank's Chairman Macomber makes an articulate and telling argument as to why the practice of extending mixed credits should be stopped ("Time to discipline a costly trade practice", Dec 5).

It is often difficult to determine whether a *transaction* is commercial or developmental. The OECD should consider an agreement under which members would finance sales to less developed countries through development assistance programs only, leaving official export credit agencies the task of supporting sales to the more creditworthy markets. This *could strengthen the agencies'* financial positions, while eliminating a source of dispute among OECD members. It would also provide debt relief to the poorer countries.

Albert H Hamilton,
*First Washington Associates,*
*1501 Lee Highway, Suite 302,*
*Arlington, Virginia*

### Shareholders should be encouraged to consolidate

*From R.A. Overin.*

Sir, The privatisation of the electricity distribution industry has highlighted a problem *which is* placing a considerable burden on the companies and their registrars.

The method of allocation has almost certainly resulted in a large number of shareholders with the minimum number of shares, including members of a single household. Each shareholder will receive a copy of the annual accounts, probably an *interim* statement, dividend cheques and vouchers plus additional documents which may result from takeover bids or other activities. *This is* not to mention the strain of dealing with many small income tax repayment claims.

I notice that Barclays Registrars has grasped this in connection with BAA plc now that the loyalty incentive shares have been issued. Shareholders in the same family are specifi*cally invited to consolidate* their shareholdings to the likely benefit of all, not least the postman.

A great deal *is said* and written in praise of productivity and this appears to be an area in which significant gains may be possible with the exercise of a little initiative.

Another area in which *improvements can be made* is in the elimination of holdings of small value left over from takeover battles of the distant past. I hold £160 of Ranks Hovis McDougall 8¼ per cent unsecured loan stock 1991/95, while may son holds £18. Are such small stockholdings an economic proposition to service?

The Americans seem much more forthright about such things. Marsh and MacLennan took early steps to facilitate consolidation when they took over CT Bowring in 1980. Individual shareholders are unlikely to take action unless given positive encouragement.

R.A. Overin,
*4 Roberts Close,*
*Stratton, Cirencester, Glos.*

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FINANCIAL TIMES
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# Bonn urged to raise public sector borrowing

By **David Marsh** in Bonn and **Leslie Colitt** in Berlin

THE BONN government is coming under increasing political pressure to raise overall public sector borrowing still further this year to finance yawning budgetary gaps in the east German federal states.

*Higher borrowing by the German Unity Fund (GUF), the off-budget financing vehicle set up last summer to raise money for unification, will be one of the options discussed this week* in a series of economic policy talks in Bonn.

In a prelude to what will be a gruelling battle for improved access to government largesse, ministers from the five east German states (Länder) will make a plea for more funds from Bonn in talks on Tuesday and Wednesday. Officials from the five Länder have suggested *doubling the GUF* – which issues D-Mark bonds on domestic and foreign markets – through increasing its volume by a further DM100bn *over four years.*

This would keep down direct central and regional government borrowing but inflate further overall German calls on *the capital market – to the dismay of the Bundesbank,* which has been urging much tighter financial restraint.

The eastern states are facing a *severe financial squeeze,* exacerbated by Bonn's plans to phase out subsidies east of the Elbe for public services, energy and rents. Price increases for these services will lead to inflation in east Germany this year *being appreciably higher than* the roughly 3.5 per cent expected for west Germany in 1991.

Most east Germans are only now beginning to notice the *effects of the shift from highly-*subsidised prices for basic needs – food, rent, utilities and transport – to prices based on costs.

*High non-food subsidies* inherited from the Communist planned economy were retained last year although incomes of all east German households rose. While prices of basic foods and commodities rose, prices for higher-quality food, clothing, furnishings and household appliances and cars fell.

The new year began with a *doubling of train fares by the* east German Reichsbahn on January 1 while insurance rates were almost quadrupled. Public transport fares rose in *some cities. Rents are also due* to rise this year.

The Institute of Applied Economic Research in east Berlin estimates that wages this year in the five east German Länder will rise nearly six per cent while the cost of living will go up by at least 18 per cent.

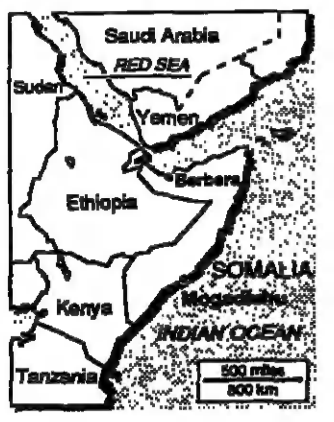
Fifteen per cent of the increase is expected to come from reductions in consumer subsidies. An increase in the already debilitating level of migration to west Germany is likely to be the main result, especially among younger, *skilled workers.*

Mr Theo Waigel, the Finance Minister, seems likely to decide on high increases in telephone charges and contributions to *unemployment insurance.* Big cuts in defence spending, will also be part of Mr Waigel's plan to keep the overall 1991 budget deficit down to DM140bn. Bonn budgetary planners talk of lopping DM8bn from defence spending next year, by granting the Defence Ministry no additional funds for integrating the former East German National People's Army, which would normally cost about DM8bn annually.

Freedom flight: some of the foreigners who were ailifted from Somalia to Mombassa airport in Kenya yesterday

# Foreigners evacuated from Somali capital

By **Julian Ozanne**, Africa Correspondent




MORE than 400 foreigners trapped in the Somali capital of Mogadishu were evacuated over the weekend by an Italian and US rescue operation. The foreigners had been stranded since fighting began a week ago between government troops and rebels.

Efforts to save more foreigners, including 50 Italians caught up in the outbreak of clan warfare, failed yesterday when two Italian C-130 military aircraft, carrying medical supplies and a team of 12 doctors and nurses, turned back because of continued fighting in the city.

Meanwhile, Kenyan soldiers maintained a heavy presence at Nairobi's international airport after a group of Somali military officers and their families, seeking political asylum, landed there.

Somali rebel claims that embattled President Mohamed Siad Barre had fled the country for Kenya were denied by Mr Wilson Ndolo Ayah, Kenyan foreign minister.

The US confirmed yesterday that it had ferried more than 250 people from the Mogadishu embassy compound by marine helicopter to the aircraft carrier Guam and the amphibious transport ship Trenton anchored off the Somali coast.

The Soviet ambassador and the British ambassador, Mr Ian McCluney, were believed to be among the evacuees. Both ships, which had been diverted from duty in the Gulf, were believed to be headed for the Omani capital, Muscat.

A further 139 people were evacuated by Italian aircraft on Saturday to the Kenyan coastal city of Mombasa.

Fleeing foreigners confirmed reports of gun battles and heavy artillery shelling in Mogadishu after a hair-raising truck journey to the airport. Heavy casualties have been reported from the city which is desperately short of supplies.

# Major says inflation in Britain is now falling

By **Ralph Atkins** in London

MR JOHN MAJOR, the British prime minister, yesterday said the government was "coming to grips" with economic difficulties and there were "unmistakable" signs that inflation was falling.

He confidently dismissed any suggestions that the recession would be as bad as in the early 1980s or the 1930s andhoped interest rates would fall as inflation subsided.

Mr Major's comments appeared aimed deliberately at countering the growing gloom surrounding the UK economy amid rising company failures and declining output. But he warned that unemployment would continue to rise "for a few months yet".

In a television interview, Mr Major said 1991 "will lay the foundation in the 1990s for the sort of growth and prosperity that people dreamed of some years ago but didn't believe we could achieve".

He is likely to take some comfort from a survey carried out for the Institute of Directors showing British company directors have become marginally more confident about prospects for 1991.

Further ammunition for the Treasury comes in a survey by 3i, the venture capital provider, suggesting corporate restructuring in the 1980s has significantly strengthened British industry's ability to withstand recession.

But figures today by KPMG Peat Marwick McLintock, the accountancy firm, show the number of companies going into receivership last year was double the level in 1989.

Mr Gordon Brown, opposition Labour party spokesman on trade, insisted the government had to "wake-up" to the damage being caused to manufacturers by high interest rates. He said most UK regions had already lost more than 30 per cent of their manufacturing jobs since 1979.

"I now fear for a permanent loss of manufacturing capacity Britain can ill-afford to lose as many manufacturers are being pushed by high interest rates to the point of no return," he said.

In his television interview, Mr Major said that as Britain's inflation differential with European partners narrowed, "it is overwhelmingly likely that natural consequential events in the markets will enable us to reduce interest rates."

He added: "We are confident that inflation now is going to come down. The signs I think are unmistakable."

Directors signal rise in optimism, Page 4; Receiverships double, Page 4

# Returning native lands with a jolt

By Anthony Harris

After three years in Washington, London seems the oddest place. A new prime minister, who was known only *as a promising junior when I* left, is a jolt; the fact that he doesn't say much, and sounds like a speak-your-weight machine when he does, makes it sharper. In Washington there is endless argument, but little effective policy-making; here there seems to be a surfeit of policies, but hardly any opposition.

Odd; but even odder is what looks like collective amnesia. Is it, as my notes tell me, really less than 10 years since Sir Alan Walters last warned us of the dangers of an over-valued pound? Can it be only 17 since the banks last came unstuck in the property market? These are no doubt distorted perceptions, reinforced by the fact that I have not yet been able to get about and meet people.

There may be some value, however, to crude impressions, simply because they oversimplify. The basic issues are easy to forget when you are immersed in the day-to-day, but they are much the same as they were 10 or even 20 years ago – inflation, credit and the exchange rate. The received wisdom in all three is at least worth questioning.

INFLATION: Everyone knows the slogan: we cannot enjoy growth until we have conquered inflation. It goes down well *in Washington* too, and is probably engraved somewhere in the offices of that flagellant order, the IMF. It has a puzzling sub-clause: we cannot *stop inflation without stopping* growth.

But no-one seems aware of this inconsistency – nor the fact that the whole doctrine is *demonstrable nonsense.* Three historic examples make the point: Japan, in its most dynamic decade, had an annual inflation rate of 7¼ per *cent, while Switzerland,* with very little inflation, had very little growth either. And one is very recent: Mrs Thatcher managed her "miracle" in spite *of above-average inflation and* far above average wage increases.

This apparent defiance of natural law explains itself if you look for the cause rather than the effect of inflation, for one kind of inflation is the *result* of growth. This was understood years ago (memory *again)* as "dynamic" or "adjustment" inflation. In Japan in the 1960s growth was led by a productivity explosion. Manufacturers were able to raise *wages by 15 per cent a year* without putting up their prices at all; but when the same increases were conceded elsewhere in the economy, they caused inflation.

This was a healthy process: it spread the benefits earned in the factories to barbers, doctors and civil servants.

Mrs Thatcher achieved a flawed replay of the same script. This does not mean that there is no inflation problem; only that ministers and markets should look a little deeper than their present effort to discount the "inflation" which reflects efforts to stop it through higher interest rates. Cost inflation is not a problem if the prices of traded goods are stable; although in an ideal world productivity growth would be spread through price cuts rather than going-rate wages, not even the Japanese have achieved this. If ministers and markets cannot grasp this point, they will condemn us to stagnation.

**'The . . . disciples of Adam Smith do not seem to have read the book'**

Two other kinds of inflation *must be fought, however: what* might be termed "anti-adjustment", when people try to protect their real incomes against falls imposed from outside – *rising commodity prices in* importing countries such as the UK, falling exchange rates for commodity exporters such as Australia. (Here it is true that the harder the resistance efforts, the harsher the punishment has to be.) But the central British problem is much more a matter of demand inflation; *which brings us in turn* to . . .

CREDIT CONTROL: Credit explosions and deflations have been a *recurrent plague in the* English-speaking world; but usually they confer immunity for the *working lifetime of* a banker: "Never again in my lifetime . . ."

So why did English bankers – and the Bank of England – *allow a replay of the* early 1970s? Why did the bankers of New England learn nothing from the disaster in Texas? Why did a Labour government in Australia go bald-headed for "financial freedom"? Partly it is a matter of fashion. The professed disciples of Adam Smith do not seem to have read the book: Smith is quite explicit on the need for prudential regulation.

But it also reflects the structure of financial markets, as John Plender has argued recently in these pages. In the English-speaking world bankers rely on collateral as a substitute for analysis; in Japan they are speculators on their own account. This is where speculation ran out of control. In Europe, where banks are essentially the providers of equity, they have to look deeper and take a longer view.

Japan chose to ignore the problem for years, and has suffered the most painful correction. American banking control was divided and undermanned, and the Australians had little experience to learn from. The British banks did learn some caution, but the *authorities seem to have* relaxed on this account, reasoning that if foreigners were carrying the biggest risks, the system was safe. Not the economy, though.

These follies explain why interest rates are so volatile in the English-speaking countries: a rate which can cramp indus*trial investment is readily* shrugged aside in a financial bull market; but that is why this could be the last British credit cycle. We will probably have a *much more European* system before the market has digested the excess property built this time round; but even if we don't, volatile rates will *pose impossible problems* for . . .

EXCHANGE RATE POLICY: Only two footnotes here. First *(see above), membership of the* ERM will mean tighter lending controls to take the strain off interest rates, at least when we move to tighter bands – not a point ministers have made yet. Second, the official hope that sterling will rise as inflation falls looks a delusion as long as we are floating in a wide band. *Free capital movements push* the other way, out of weak economies into strong ones. Our real dilemma will set in not now but when inflation is *down in a flat economy. If you* don't believe it, just look at the dollar.

# Thatcher to head Bruges Group

By **Ralph Atkins** in London

MRS Margaret Thatcher, Britain's former prime minister, has accepted the presidency of the Conservative-dominated Bruges Group of like-minded anti-federalist Europeans.

Her decision, which emerged at the weekend, to head the group pledged to defending British sovereignty against creeping European "socialism", underlined Mrs Thatcher's promise that her voice will continue to be heard.

Mrs Thatcher's choice of this political vehicle could threaten the reformed face put on Britain's European policy by Mr John Major, her successor. "She will remain to haunt Mr Major," said Mr George Robertson, the opposition Labour Party's foreign affairs spokesman.

Mr Major, however, suggested the differences with his predecessor were not as huge when he described himself as an "agnostic" on the European single currency.

Speaking on television, the prime minister said it was up to the market to decide whether there was demand for a single currency. He was not convinced it would be introduced before the end of the century.

"At the moment I certainly don't advocate a single currency to my party because *I* think it would be economically immensely damaging in Europe," he said.

The Bruges group, which included academics as well as politicians, was set up after Mrs Thatcher's speech in Bruges in September 1988. Members describe themselves as "pro-Europe, anti-Federalist".

# Coining a name for a hard Ecu

By **Peter Marsh** in London

HISTORIANS, numismatists and followers of popular culture may soon be asked to rename the common currency which Britain wants Europe to adopt, but which by common consent has a dreadful name.

The British Treasury is due tomorrow to present proposals to establish a legal framework for the hard Ecu, a financial unit which the UK believes could cut transaction costs for European industry and reduce inflation.

However, officials at the Treasury and the Bank of England admit that the hard Ecu is a far from perfect name for a currency which is intended to catch the imagination and take Europe into a new era.

Moreover, the hard Ecu, which would be introduced after 1994 and be backed by a government guarantee that it could never be devalued, would be easily confused with the existing basket Ecu, a notional financial unit based on the average weightings of the main European currencies.

A Treasury official said the government was "not fussed" about keeping the hard Ecu name. An official at the Bank said he would welcome efforts to come up with a snappier title.

Near the top of any short-list would be the Beethoven. This would curry favour with Germany, which has Europe's strongest economy but which so far has been dismissive of the hard Ecu plan. The name would also carry weight with Chancellor Helmut Kohl, who is a Beethoven fan.

The French could be accommodated by calling the currency the Eiffel. That would also emphasise the long-term nature of the British plan, when the Effel Tower was put up it was supposed to be temporary but it is still standing after 102 years.

The Europa is a hot favourite among some Euro watchers. However, it is also the name of a paneuropean space rocket built in the early 1970s but whose development was abandoned after it kept exploding on the launch pad.

Another idea would be to call the hard Ecu the Croesus, the legendary Egyptian king who introduced the first government coinage around 600 BC.

Highly favoured is the Aureus, a gold coin used by the Romans 2,000 years ago. Also winning the Mediterranean vote would be the Electrum, a rare alloy used by the ancient Greeks in coin production.

The Newton, not just a physicist but a master of the Royal Mint in the 18th century, would satisfy diehard Anglophiles.

A nod towards popular culture would come through naming the currency after a well-known European footballer, perhaps the Platini or even the Gazza. However, the Gazza is probably a long shot because of the thought that the plan might all end in tears: just like the aponymous footballer.

# Saddam tells troops to prepare for war

Continued from Page 1

whether he should leave it. Of *course he has to leave it; that* is what the law says."

While some European countries, notably France, want Iraq to be offered some incen*tive to withdraw from Kuwait* – such as a Middle East peace conference – US and British officials have insisted that aggression must not be *rewarded, and rejected public* linkage between the Gulf crisis and the Arab-Israeli dispute.

Mr Baker said he was going to Geneva to tell Iraqi leaders that they had the two options of complying with UN resolutions fully and withdrawing, when they would be assured *force would not be used* against them, and "if they are not willing to do that, they, in all probability, will have force used against them to eject *them from Kuwait."*

He added that he would be discussing with allies the commitment of their forces to any military action.

*Yesterday the European* Community urged Iraq to reconsider its refusal to countenance a Luxembourg meeting between Mr Aziz and the EC after his discussions with Mr Baker in Geneva.

US Congressional leaders intend to open formal debates immediately after the Geneva meeting in both the Senate and the House so that votes will be taken during the week of the UN deadline.

*Mr Tom Foley, the Demo*cratic House Speaker, said he thought Mr Bush would at present narrowly win a House vote on a resolution similar to *the UN measure authorising* the use of force.

Senator Robert Dole, the Republican minority leader, predicted that such a resolution would pass with a bipartisan majority in the Senate.

# Banking rescue package talks

committee, said the proposal would involve the bank swapping $706m of debt for equity and receiving federal assistance from Washington.

The proposal is also being discussed with the FDIC and the Office of the Comptroller of the Currency, whose approval would be required.

Meanwhile, in Rhode Island, emergency meetings continued as Mr Bruce Sundlun, the governor, tried to solve the state's own banking crisis. Mr Sundlun ordered the closure of 45 banks with $1.7bn of deposits and 300,000 accounts last week after a local private deposit insurance fund collapsed.

## WORLDWIDE WEATHER

| | | °C | °F |
|---|---|---|---|
| Ajaccio | F | 15 | 59 |
| Algiers | S | 15 | 59 |
| Amsterdam | F | 7 | 45 |
| Athens | F | 16 | 61 |
| Bahrain | S | 17 | 63 |
| Bangkok | C | 33 | 91 |
| Barcelona | S | 13 | 55 |
| Beirut | - | - | - |
| Belfast | S | 3 | 37 |
| Belgrade | C | 6 | 43 |
| Berlin | C | 6 | 43 |
| Biarritz | F | 16 | 61 |
| Bombay | S | 28 | 82 |
| Bordeaux | R | 11 | 52 |
| Boulogne | F | 8 | 46 |
| Brussels | S | 7 | 45 |
| Budapest | S | 2 | 36 |
| Buenos Aires | F | 30 | 86 |
| Cairo | S | 20 | 68 |
| Cape Town | S | 23 | 73 |
| Caracas | C | 27 | 81 |
| Casablanca | S | 15 | 59 |
| Chicago | F | -8 | 18 |
| Cologne | F | 8 | 46 |
| Copenhagen | R | 3 | 37 |
| Corfu | R | 11 | 52 |
| Dallas | R | 6 | 43 |
| Dublin | F | 4 | 39 |
| Dubrovnik | F | 12 | 54 |
| Edinburgh | S | 5 | 41 |
| Faro | S | 15 | 59 |
| Florence | Dr | 5 | 41 |
| Frankfurt | F | 7 | 45 |
| Geneva | R | 7 | 45 |
| Gibraltar | S | 16 | 61 |
| Glasgow | R | 5 | 41 |
| Helsinki | Sn | 0 | 32 |
| Hong Kong | C | 15 | 59 |
| Innsbruck | C | 3 | 37 |
| Inverness | S | 8 | 46 |
| Islamabad | C | 14 | 57 |
| Istanbul | F | 12 | 54 |
| Jakarta | R | 31 | 88 |
| Jersey | S | 8 | 46 |
| Johannesburg | F | 24 | 75 |
| Lima | C | 23 | 73 |
| Lisbon | C | 14 | 57 |
| London | S | 7 | 45 |
| Los Angeles | C | 12 | 54 |
| Luxembourg | C | 5 | 41 |
| Madeira | S | 17 | 63 |
| Madrid | C | 5 | 41 |
| Majorca | F | 14 | 57 |
| Malaga | S | 17 | 63 |
| Malta | S | 15 | 59 |
| Manchester | S | 6 | 43 |
| Manila | R | 32 | 90 |
| Melbourne | C | 16 | 61 |
| Mexico City | C | 23 | 73 |
| Miami | S | 24 | 75 |
| Milan | C | 1 | 34 |
| Montreal | Sn | -4 | 25 |
| Moscow | Sn | 0 | 32 |
| Munich | F | 7 | 45 |
| Nairobi | S | 26 | 79 |
| Naples | F | 13 | 55 |
| Nassau | C | 28 | 82 |
| New Delhi | S | 17 | 63 |
| New York | C | 4 | 39 |
| Nice | S | 13 | 55 |
| Nicosia | S | 18 | 64 |
| Oporto | R | 12 | 54 |
| Oslo | R | 2 | 36 |
| Paris | F | 8 | 46 |
| Peking | S | -1 | 30 |
| Prague | F | 5 | 41 |
| Reykjavik | F | 1 | 34 |
| Rhodes | R | 15 | 59 |
| Rio de Janeiro | C | 30 | 86 |
| Rome | C | 12 | 54 |
| Salzburg | F | 3 | 37 |
| San Francisco | F | 4 | 39 |
| Seoul | S | -3 | 27 |
| Singapore | F | 31 | 88 |
| Stockholm | F | 3 | 37 |
| Strasbourg | F | 8 | 46 |
| Sydney | S | 23 | 73 |
| Tangier | [illegible] | [illegible] | [illegible] |
| Tampa | S | 14 | 57 |
| Tel Aviv | S | 18 | 64 |
| Tenerife | S | 21 | 70 |
| Tokyo | S | 8 | 46 |
| Toronto | C | -7 | 19 |
| Tunis | F | 15 | 59 |
| Valencia | S | 14 | 57 |
| Venice | Fg | [illegible] | [illegible] |
| Vienna | F | 4 | 39 |
| Warsaw | F | 4 | 39 |
| Washington | R | 4 | 39 |
| Zurich | C | 7 | 45 |

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

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## INSIDE

### JAL acquires 14% [redacted] Lockheed subsidiary

Japan Airlines (JAL) [redacted] taking a 14 per cent [redacted] in [redacted] subsidiary [redacted] Lockheed, [redacted] US aerospace group, in the [redacted] example [redacted] airlines forging increasingly [redacted] with large [redacted] groups. The agreement with JAL [redacted] the [redacted] group's Lockheed Commercial Aircraft [redacted] (LCAC) [redacted] up recently in California to maintain and modify *Boeing 747 jumbo jets. JAL owns* [redacted] *world's* largest 747 fleet with [redacted] Boeing jumbos in [redacted]vice, and another [redacted] aircraft [redacted] order. [redacted]

### Germany grazes on [redacted] turf

German companies pulled in their horns [redacted] their [redacted] openings in [redacted] part [redacted] country [redacted] year, according to figures compiled by [redacted] mergers [redacted] acquisitions consultancy [redacted] International. The [redacted] *number of* [redacted] German [redacted] fell to [redacted] in [redacted] from [redacted] in [redacted] while investments in [redacted] European Community [redacted] down [redacted] from [redacted] German [redacted] expected [redacted] gather steam this [redacted] – [redacted] German companies [redacted] 101 [redacted] German purchases in 1990, while foreigners [redacted] 15. Page [redacted]

### The Ecu's twelfth birthday

The Ecu [redacted] popped into sight in [redacted] European Commission memorandum [redacted] 18 [redacted] and took its [redacted] faltering steps [redacted] common [redacted] in 1981, when [redacted] Ecu-denominated [redacted] were [redacted] year, Ecu14bn ($19.6bn) [redacted] issued, making [redacted] Ecu the fourth most popular currency among international investors, behind dollars, sterling and yen. [redacted] London examines the political [redacted] economic benefits [redacted] made [redacted] Ecu the financier's favourite child. Page 14

### US bonds prevaricate

Politicians and economists [redacted] up their minds – the [redacted] in recession. [redacted] that understood, they [redacted] greeted [redacted] new year [redacted] question – [redacted] long will [redacted] last? The set of unemployment fig[redacted] on Friday morning [redacted] it will [redacted] short [redacted] But [redacted] steady run [redacted]mal economic [redacted] widespread debt in corporate America, and uncertainty in the [redacted]. Trapped [redacted] conflicting views, US [redacted] do nothing this [redacted] prevaricate. Nikki Tait reports. [redacted]



# UK seeks help for its first Ecu bond issue

By Tracy Corrigan in London

THE BANK of England [redacted] started active discussions with banks in London over the [redacted] government's first European Cur[redacted] bond issue.

Bankers expect the government [redacted] issue Ecu bonds within the next [redacted] months, before the launch of [redacted] London International Financial Futures Exchange's Ecu bond futures [redacted] in March.

Meanwhile, [redacted] Bank of England, which [redacted] advising [redacted] government on [redacted] issue, must [redacted] a bank to [redacted] of [redacted] issue, a decision fraught with political and practical difficulties.

The Bank [redacted] England declined [redacted], except [redacted] that [redacted] potential [redacted] consideration.

Although the [redacted] government [redacted] probably like to appoint [redacted] bank, there are no UK institutions [redacted] the forefront [redacted] Ecu [redacted] market. The accepted [redacted] leader [redacted] Capital Markets, but [redacted] French arranger of the UK's [redacted] foray into the [redacted] bond market [redacted] be [redacted] hard pill to [redacted].

In [redacted] effort to [redacted] their chances, some UK houses [redacted] teaming [redacted] with banks [redacted] continental Europe which [redacted] strong [redacted] in the Ecu market.

For example, Barclays de [redacted] Wedd is said [redacted] have joined [redacted] with Deutsche Bank Capi[redacted] Markets, and Baring [redacted] with the Union Bank [redacted] Switzerland, at [redacted] the [redacted] presentations to the Bank. How[redacted] there may be some reluc[redacted] mandate to a bank based [redacted] the [redacted] Community.

[redacted] bankers say that [redacted] controversy, the Bank of England may decide [redacted] arrange [redacted] deal [redacted] then appoint under[redacted].

UK institutions, which [redacted] only become [redacted] in the [redacted] bond market [redacted] last year, are expected [redacted] enthusiastic buyers.

Even before sterling's entry into the Exchange Rate Mechanism, [redacted] increasing range [redacted] actively-traded bonds by European governments and agencies had at [redacted] many investors to [redacted] market, and [redacted] UK's Ecu offering [redacted] likely [redacted] more.

The [redacted] expected to [redacted] around Ecu2bn ($2.8bn). The maturity will be [redacted] that the bonds can be delivered as settlement for [redacted] Liffe [redacted] contract. Dealers say that the issue is likely to be structured [redacted] a Eurobond, rather than [redacted] gilt.

Last month, the Bank cleared [redacted] way for gilt-edged market-makers [redacted] in non-sterling instruments, [redacted] by either Eurobond or government bond traders.

Ahead of the UK's Ecu bond issue, the European Investment Bank [redacted] the Kingdom [redacted] Belgium [redacted] both lining up to tap [redacted] Ecu market.

Ecu bond markets, Page 14

# Risks and rewards of change in Frankfurt

**Katharine Campbell** on how the repealing of Germany's equity turnover tax has altered a financial landscape

For [redacted] Frankfurt bankers [redacted] complained about their country's turnover tax on securities [redacted].

The [redacted] has [redacted] for driving [redacted] large part of secondary trading in German securities abroad, [redacted] London and Luxembourg. If only it [redacted] removed, [redacted] *argued, Frankfurt* [redacted] a much stronger competitor [redacted] centre.

Last week, their [redacted] finally came true. From the beginning [redacted] January, turnover [redacted] was repealed; [redacted] same time, cumbersome registration require[redacted] securities [redacted] ended.

These developments follow a year of changes in [redacted] banking practices: [redacted] introduction [redacted] a partial auction system for [redacted] debt; [redacted] promotion [redacted] Fibor, [redacted] local interbank refer[redacted] interest rate; and the [redacted] of financial [redacted] trading.

All [redacted] means [redacted] the [redacted] is now open for important changes in German financial markets. [redacted] ultimate [redacted] many challenges [redacted] as opportunit[redacted]

The turnover [redacted] – which required the purchaser [redacted] 0.1 and 0.25 per [redacted] changing [redacted] – had been deeply unpopular [redacted] Frankfurt bankers, conscious [redacted] the increasing competition between international [redacted].

[redacted] of capital [redacted] taxes [redacted] still more contentious [redacted] ago, [redacted] the federal government imposed, [redacted] abruptly withdrew, [redacted] 10 per *cent withholding tax.* [redacted] episode [redacted] attempts to promote *Finanzplatz Deutschland*, Germany [redacted] an international financial centre.

The withholding [redacted] affair strengthened [redacted] bankers' sense of ill-treatment. But the Bonn government wavered [redacted] the *bankers' complaints* [redacted] *the* [redacted] tax and its own need for [redacted].

In [redacted] with equity turnover up [redacted] 30 per cent [redacted]pared with the previous [redacted] the [redacted] the central coffers by [redacted] estimated DM [redacted].

[redacted] autumn of 1989, when [redacted] Frankfurt [redacted] exchange suffered more [redacted] from [redacted] "mini-crash" [redacted] 13. The [redacted] repeal [redacted] announced shortly *afterwards. It* [redacted] *effect* [redacted] of [redacted] which [redacted] likely [redacted] show the highest budget defi[redacted] generation, leaving [redacted] government casting around [redacted] new, politically acceptable sources [redacted].

The tax's abolition will not have [redacted] on Frankfurt's competitive position. [redacted] ways, [redacted] had accumulated [redacted] irritation value out of proportion to [redacted] true impact. [redacted] levy did not apply [redacted] government bonds, so it cannot be blamed [redacted] high proportion of [redacted] government debt traded in London. Its removal, [redacted] do [redacted] to strengthen Frankfurt's competitive [redacted] in this [redacted].

*Similarly, the fact that signifi*[redacted] business in [redacted] is [redacted] conducted in London had more [redacted] attractions of London's way of doing [redacted] than with [redacted] tax's impact on non-bank [redacted]. And [redacted]tions between banking institutions [redacted] always exempt.

*In* [redacted] *however,* [redacted] had an important impact. It strangled the growth [redacted] instruments [redacted] as commercial paper, certificates [redacted] deposit [redacted] floating [redacted]. Spreads [redacted] these instruments are so thin that even [redacted] small tax renders them unattractive.

> **Now that it's viable, D-Mark commercial paper could develop into an attractive borrowing route for German companies**

The tax was not the only barrier [redacted] commercial [redacted] issu[redacted].

Another [redacted] – [redacted] graphs of [redacted] Civil [redacted] requir*ing* [redacted] *ministry approval* [redacted] new [redacted] – [redacted] from January 1, [redacted] dismay.

[redacted] changes, D-Mark [redacted] paper [redacted] now viable. [redacted] high [redacted] rates, it [redacted] quickly develop into an attractive alternative borrowing [redacted] for German companies.

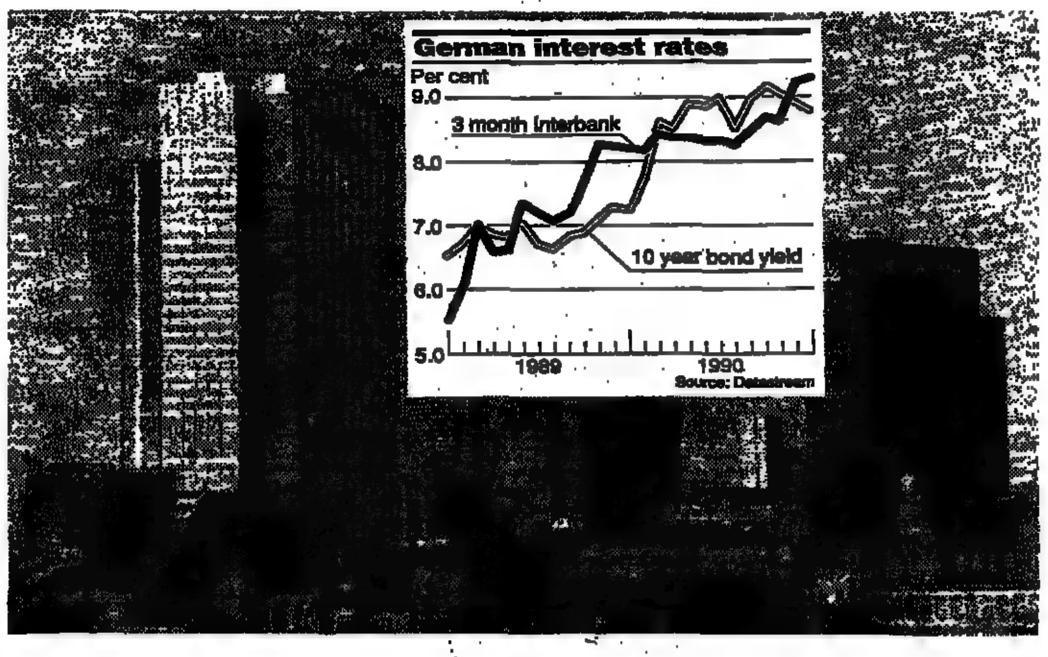
Many [redacted] these have already [redacted] in [redacted]mercial [redacted] and in [redacted] in other currencies, [redacted] guilders.

Significantly, [redacted] first [redacted] commercial paper financing, announced last month, comes [redacted] Deu[redacted] Bank, arranging a DM500m commercial paper pro[redacted] for Daimler Benz.

[redacted] participation is seen as a [redacted] to other potential [redacted] participants. [redacted] now, German [redacted] have opposed "disintermediation", in which corporate borrowers sell [redacted] debt more or [redacted] directly to institutional investors. "A taboo has been broken and this brings a certain dynamism [redacted] product," says [redacted] official prominent in the foreign banking community.

As the commercial paper market develops, it could further [redacted] rela*tionships, if institutions* [redacted] offer more attractive [redacted] to corporate borrowers.

Other [redacted] market instru[redacted] common elsewhere – cer[redacted] deposit (CDs), used [redacted] by banks – must, [redacted] moment, wait their time. They will not [redacted] *without further regulatory* changes, notably [redacted] relaxation [redacted] minimum [redacted] requirements currently enforced by [redacted] Bund[redacted].




The subject is assumed to be on the agenda of the central bank policy council in the first quarter of this year.

The [redacted] availability of CDs would [redacted] important source of cheaper funds for foreign [redacted]. Their [redacted] uncompetitive funding base – largely through the expensive interbank market – means that they lose money when interest rates are high as has been the case in the last two [redacted].

An outright abolition of minimum reserve requirements [redacted] term deposits would be out [redacted] the question, [redacted] it would signal [redacted] easing [redacted] monetary policy. [redacted] Bundesbank would not [redacted] to send such a message when it is *considering* [redacted] largely [redacted] by ballooning [redacted] deficits.

But at the time of the ½ percentage point [redacted] in the Lombard rate in November 1990, the council is understood to have discussed the possibility of [redacted]ing a market-related Lombard [redacted] and simultaneously easing reserve requirements for term deposits. Such a step would have been neutral in monetary policy terms, and would have helped [redacted] position. (The big loser would be Luxembourg, [redacted] and lenders of D-Marks have conducted much [redacted] business, to [redacted] the *minim*[redacted] reserve require[redacted].)

Making [redacted] financial mar[redacted] more internationally competitive is not [redacted] only consideration, however.

Political obstacles, notably the conflicting interests of the regional and central Bundesbank *directors, play* [redacted] *role too.* [redacted] pressures may delay [redacted] moment when CDs become [redacted]ing [redacted].

An [redacted] will clearly [redacted] to develop, [redacted] it [redacted] be seen [redacted] enthusiastically [redacted] German banks [redacted] the new instruments.

In the long run, however, the banks' cheap funding base could be considerably eroded, as commercial paper makes their term deposit rates less attractive. This effect would be particularly marked if retail money [redacted] funds along US [redacted] permit[redacted].

The [redacted] Ucits directive [redacted] permits the [redacted] funds containing [redacted] proportion [redacted] money [redacted] instruments. Full money market [redacted] would require a German legislative change, something the Bundesbank [redacted] likely [redacted].

In time, however, such pres*sures will inevitably* [redacted] *the* German banks' access [redacted] cheap funds. Having your wishes granted [redacted] always an unalloyed pleasure.

## Economics Notebook

# Too many cooks spoil Italy's budget

IT [redacted] pure coincidence that [redacted] Sarcinelli should have [redacted] to quit as director general [redacted] the [redacted] Treasury at [redacted] time when political [redacted] is [redacted] flavour of the month in Italy. Thousands [redacted] words have been written in [redacted] by journalists, academics and politicians [redacted] the [redacted] constitutional changes which [redacted] decisively shift [redacted]ance [redacted] decision-making power away from parliament in favour of [redacted] executive.

In all of the other main European economies, the Treasury ministry [redacted] far [redacted] decisive control over govern[redacted] spending policies than in Italy. [redacted]tive horizontal co-ordination [redacted] ministries and [redacted] rel[redacted] *inability of the govern*[redacted] impose [redacted] budgetary [redacted] on parliament means that [redacted] coherent budgetary strategy is constantly falling victim [redacted] short-term and frequently extremely local politi[redacted] exigencies.

After dedicating eight [redacted] trying [redacted] design and [redacted] application of a strategy for coping with Italy's severe problems of accumulated [redacted] and extraordinarily high bud[redacted] deficits, Mr Sarcinelli [redacted] month [redacted] accept one [redacted] deputy presiden[redacted] of [redacted] European Bank [redacted] Reconstruction and Development (ERBD). He is being characteristically reticent [redacted] his [redacted] for doing [redacted] but [redacted] is not [redacted] all unlikely that [redacted] feeling a growing sense [redacted] despair about [redacted] prospects for turning around [redacted] budgetary problem under Italy's present institutional arrangements.

[redacted] one occasion last October, his public mask of ascetic imperturbability slipped and he spoke [redacted] the "unsustainable" situation of the national public finances. "Government debt issues are becoming [redacted] gone on, [redacted] would have been supervising [redacted] by the Treasury [redacted] year [redacted] finance new [redacted] roll [redacted] existing [redacted] L520,000bn [redacted] – "a figure [redacted] parallel in [redacted] European Community," said [redacted] Carlo Azeglio Ciampi, [redacted] Governor [redacted] Italy, [redacted] October.

On [redacted] the [redacted] budget, passed by parliament just before Christmas, promises important progress in [redacted] government's medium-term plan [redacted] public [redacted] by 1993. The goal is to reduce the budget [redacted] a proportion of [redacted] product from [redacted] year's 10.7 per [redacted] to [redacted] while establishing total [redacted] at a peak [redacted] per [redacted] of [redacted] in 1992.

> **Rome is weighed down by accumulated debt and high budget deficits. As patience wears thin, reform is flavour of the month**

[redacted] year's budget numbers are encouraging: [redacted] deficit [redacted] L32,000bn [redacted] per [redacted] gdp) which [redacted] built on a current surplus [redacted] – [redacted] first [redacted] that [redacted] will have exceeded expenditures [redacted] interest payments for [redacted] than [redacted] decade and a half. But the actual measures designed [redacted] achieve [redacted] a scissors and [redacted] job of [redacted]nues brought forward from 1992 and spending cuts [redacted] uncertain value. Some L5,600bn is even scheduled [redacted] come [redacted] the [redacted] state [redacted] although not a single detailed proposal has yet [redacted] produced.

Only [redacted] are Italians seriously beginning [redacted] discuss the degree [redacted] which their political system is responsible for the worsening of the national [redacted]-to-gdp ratio by 40 percentage points during the 1980s com[redacted]

Mr Sarcinelli himself [redacted] a somewhat technocratic expla[redacted] the inadequacy [redacted] Italian fiscal policies in an article published [redacted] year* while Mr [redacted] Carli, [redacted] current Treasury Minister, recently said [redacted] in [redacted] political reform [redacted] government [redacted] only apply "partial corrections" [redacted] problem.

According [redacted] the departing director general, [redacted] parlia[redacted] bureaucracy [redacted]spire together [redacted] produce fragmented spending initiatives favouring particular [redacted] which then generate demands for equal measures [redacted] benefiting. Budget con[redacted] and efficiency require[redacted] quickly forgotten.

particularly where local authority spending [redacted] cerned since funds [redacted] from [redacted] without [redacted] politicians having any real responsibility for raising money.

In an interview published last [redacted] by Corriere della Sera, Mr Carli was more explicit, arguing [redacted] changes in the electoral system [redacted] needed, in [redacted] balance [redacted] powers between government and parliament and in giving [redacted] revenue-raising authority [redacted] local governments.

[redacted] spoke admiringly [redacted] the British, French and German budget-making systems in which parliamentarians have little [redacted] no actual power [redacted] introduce spending amendments. Instead, the 1991 Italian budget was [redacted] with subsequent opportunities for the parliament [redacted] pass "mini-laws" Rossini [redacted] bimillenial [redacted] birth [redacted] poet Horace. Altogether, [redacted] parliament had added [redacted] 80 new spending [redacted] to [redacted] government's 1991 budget proposal, creating [redacted] tainty in [redacted] "in [redacted] contingent variables [redacted] the [redacted].

"This [redacted] why I [redacted] that [redacted] is no reason for surprise if the government is forced ... [redacted] continual corrections during the year," [redacted] Mr Carli.

Taking away [redacted] individual deputy's right [redacted] amend [redacted] budget would be a useful [redacted] forward, said [redacted] minister, [redacted] would need [redacted] accompanied by the abolition of the preference voting. This gives [redacted] right [redacted] individual candidates *on* [redacted] *party* lists and obviously encourages politicians [redacted] hunting with public money for support [redacted] organised groups.

[redacted] case for strengthening the Italian executive [redacted] the [redacted] the parliament [redacted] seem unanswerable [redacted] any objective observer. But [redacted] are [redacted] some reasons to doubt whether a [redacted] transparent system [redacted] attain[redacted] without a change in the political mores which sanction the exploiting [redacted] public provision for private gain. In [redacted] meantime, the opening [redacted] the [redacted]ian financial system through the abolition [redacted] exchange controls and the [redacted] disciplines imposed by the lira's move [redacted] fluctuation band of [redacted] Exchange [redacted] remain the most promising sources [redacted] pressure for a real improvement in public finances.

* *Mario* [redacted] *Imbalances of* [redacted] *Finance, Review of* [redacted] *Conditions in Italy, May-August 1990.*

# Investcorp raises net profit 28% to $66.3m

By [redacted] Mallet in London

INVESTCORP, the Bahrain-[redacted] international invest[redacted] bank which bought US [redacted] Fifth [redacted] for $1.6bn in July, yesterday announced 1990 [redacted] profits [redacted], [redacted] 28 per [redacted] over [redacted] previous year.

*Mr Abdul-Rahman Salim al-Ateeqi*, chairman [redacted] the board, said [redacted] had [redacted] the company's [redacted] difficult year. "Not only did we [redacted] with [redacted] downturn, declining equity and property markets [redacted] troubled financial community but also with *the aggression against* Kuwait," he said.

Investcorp, which channels money from the [redacted] investments, moved [redacted] allay concerns about the [redacted] the Gulf crisis among its banks, clients and [redacted] by shifting [redacted]trol [redacted] its assets from Bahrain to Investcorp in Luxembourg. "While our [redacted] are now controlled outside the Gulf region, [redacted] operational headquarters will continue [redacted] be in Bahrain," Mr al-Ateeqi [redacted]. Assets rose [redacted] per [redacted] in [redacted] and return on average [redacted] was [redacted] per [redacted] return per employee was $397,100. Total shareholders' funds were [redacted] at [redacted] end [redacted] December, and return on [redacted]age shareholders' funds [redacted] year was [redacted] per cent.

Mr Michael Merritt, a member of the management committee, said that while the Gulf crisis was obviously disruptive, most investors, including Kuwaiti institutions and individuals, continued to remain active. Investcorp had not released any of [redacted] staff in Bahrain, London or

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GUINNESS [redacted]

هكذا من الأصل

# JAL to buy into Lockheed jet maintenance offshoot

By Paul Betts, Aerospace Correspondent

JAPAN Airlines (JAL) is to take [redacted] 14 per cent stake in a subsidiary [redacted] Lockheed, the US [redacted] group, newly set up to maintain and modify Boeing 747 jumbo jets.

JAL [redacted] the world's largest [redacted] with [redacted] Boeing 747s in service. The Japanese [redacted] has [redacted] ordered another 64 of the latest version [redacted] Boeing aircraft, [redacted] 747-400.

The agreement with Lock[redacted] trend of air[redacted] forge close [redacted] with large [redacted].

[redacted] is [redacted] part of Lockheed's [redacted] expand in [redacted] commercial aircraft maintenance [redacted] modification engineering [redacted] after dropping out [redacted] large commercial jet aircraft manufacturing business. Lockheed, primarily [redacted] tractor, [redacted] seeking – like [redacted] groups – to increase [redacted] operations in civil sectors [redacted] decline in military programmes and [redacted] spending.

The agreement with JAL involves the [redacted] group's recently formed Lockheed Commercial Aircraft Centre (LCAC) [redacted] Norton Air Force [redacted] in California.

Norton [redacted] one of the military [redacted] the [redacted] plans [redacted] by [redacted] agreed to [redacted] bays [redacted] four-bay hangar [redacted] Norton and [redacted] occupy [redacted] other [redacted] bays when [redacted] air [redacted].

The new facility [redacted] Boeing 747 modifications [redacted] expected [redacted] operational in [redacted] quarter [redacted] and will employ [redacted] people by [redacted] end of [redacted] year of activity. By [redacted] the Lockheed-JAL joint venture [redacted] expected [redacted] employ nearly 1,000 people.

Lockheed and JAL [redacted] how much [redacted] Japa[redacted] paying [redacted] 14 per [redacted] stake. But they said JAL would share [redacted] the [redacted] agement [redacted] the company.

The Japanese carrier will [redacted] be involved in the company's quality control and planning staff and will assign technical instructors, engi[redacted] and inspectors [redacted] LCAC [redacted] required.

Mr Akio Nakamura, JAL's US managing director, [redacted] airline anticipated that [redacted] significant number of [redacted] 747 aircraft would require modifica[redacted] maintenance in [redacted] years.

[redacted] growth in [redacted] worldwide [redacted] of 747 aircraft, [redacted] contin[redacted] of [redacted] aircraft [redacted] stringent airworthiness regulations [redacted] big demand [redacted] aircraft mainte[redacted] Lockheed [redacted] capable [redacted] providing complete [redacted] services for large aircraft [redacted] now in short supply.

# Windsor sharply lower at £242,000

By Richard Lapper

[redacted] the insurance broking [redacted] its pre-tax profits drop sharply to £242,000 in [redacted] year [redacted] September [redacted] from [redacted] for the previous year.

Earnings [redacted] fell from 1.57p [redacted] 0.36p, and there is no dividend, against 0.5p.

Turnover increased from £7.52m to £8.13m. But profits were [redacted] back by [redacted] growth in expenses linked [redacted] an [redacted] effort [redacted] diversify into broader [redacted] services [redacted] increased from [redacted] to £4.07m.

Mr Stanley Taylor, chairman, [redacted] that 1990 had been a "difficult [redacted] frustrating year" and [redacted] company [redacted] "been blown off [redacted] by [redacted] diversification. It would now [redacted] on [redacted] core broking [redacted]

Following [redacted] acquisition by Warringtons, [redacted] property developer, of [redacted] substantial shareholding in the group, Windsor acquired [redacted] per [redacted] in Commercial Holdings Group, [redacted] network of fran[redacted] acting [redacted] brokers for [redacted] and [redacted]

Last July, [redacted] said [redacted] expected [redacted] £900,000 write [redacted] of [redacted] investment in Commercial; the subsidiary was [redacted] placed into liquida[redacted]

Mr Philip Reid, chief [redacted]tive of Windsor who had joined the [redacted] from Warringtons, resigned from the [redacted] year.

# German merger activity declines

By Katharine Campbell in Frankfurt

THE [redacted] and acquisitions activities [redacted] German companies declined during 1990 as domestic enterprises pulled in their horns abroad and turned their attention [redacted] openings in the [redacted] part of the country, according to figures compiled by M&A International.

German companies completed only [redacted] abroad, compared with 215 in 1989, according [redacted] consultancy group, which specialises in advising medium-sized companies [redacted] its [redacted] Königstein outside Frankfurt. [redacted] the European Community, Ger[redacted] investments were down to 103 from [redacted]

In [redacted] Germany, [redacted] German companies have bought [redacted] entities, with [redacted] to foreigners, [redacted] M&A, giving [redacted] value for these transactions. However, much of the activity in the [redacted] has [redacted] through start-ups, joint ventures and operations conducted [redacted] Germany – with [redacted] of the important acquisition investments expected this year. Therefore M&A's figures fail fully [redacted] time and [redacted] from other expansion [redacted] exploiting the [redacted] market.

The Germans [redacted] purchases in [redacted] trans[redacted] compared with [redacted] the previous year), but they [redacted] more [redacted] in [redacted] UK [redacted] ver[redacted] 21) [redacted] slightly [redacted] so in the [redacted] (40 against [redacted] Lower prices, dictated by [redacted] countries' economies veering towards recession, and the strength of [redacted] D-Mark, [redacted] account for that increased activity, M&A says.

Within Germany, 1,412 companies with a combined value of DM52bn ($10.5bn) changed hands in the course of 1990, after 1,424 the previous year worth DM57bn. Foreigners were involved in 469 deals, compared with 459.

The number of large transactions has fallen overall, partly as a result of increased capital gains tax, the group suggests. The figures exclude joint ventures and minority interests, and the outcome of some bid situations is still awaited, notably the fate of Pirelli's overtures to tyre manufacturer Continental.

This year, the British surpassed the Americans as the most active foreigners in corporate Germany, effecting 90 deals, against 87 in 1989, to the Americans' 68 compared with 97.

Meanwhile, prices began to soften in Germany towards the end of 1990, a trend that Mr Arno Buckhardt, managing director of M&A, sees continuing into 1991.

He also forecast that investment in east Germany would account for about a third of the total German market.

"This [preoccupation] of west German [redacted] will allow foreign companies again to increase their [redacted] in Germany," he added.

# More retailers in Chapter 11

By [redacted] Zagor in [redacted] York

THE [redacted] recession [redacted] falling consumer spending has claimed [redacted] victims, with three [redacted] Enstar Group's retail subsidiaries and Best Products filing for protection from credi[redacted] under Chapter 11 of [redacted] Bankruptcy Code.

[redacted] groups [redacted] casualties [redacted] leveraged buy-out frenzy of [redacted] which [redacted] with large debt [redacted] and [redacted] liquidity.

[redacted] Products, one of [redacted] biggest US catalogue showroom retailers, was taken private in [redacted] $1.1bn leveraged buy-out in [redacted] Speculation [redacted] Virginia-based company might be [redacted] into bankruptcy started in late December, when Best said it was having trouble renegotiating its debt because of the disappointing Christmas retail season and economic slowdown.

The company turned in a loss of $59.9m in the first half of last year on sales of $850m. In December, Best had $664.8m of long-term debt on its books.

Manufacturers Hanover, Best's lead banker, said that about $181m of its outstanding loans to Best had been placed on non-accrual status and would be reflected in the bank's non-performing loans as of December 31 1990.

Enstar, a financial-services and retailing group, said yesterday that [redacted] Enstar Specialty [redacted]tail subsidiary and its Shoe City and Amret retailing operations would file for Chapter 11 protection in the hope of returning to profitability.

Enstar, which started life as Kinder-Care Learning Centers in the 1960s, expanded rapidly in 1987, using funds raised by Mr Michael Milken, the recently-indicted junk bond king, and Drexel Burnham Lambert, the investment house now in bankruptcy. The [redacted]ompany acquired [redacted] savings [redacted] loan association in Florida, several retailing [redacted] and [redacted] magazine for deer [redacted]

# Liffe volume passes that on Matif

By Deborah Hargreaves

THE London International Financial Futures Exchange (Liffe) overtook its European rival, the Matif, the French futures exchange, in contract volume last year when it traded 34m products.

This marked an increase in volume of 10m contracts or 48 per cent compared with the 10 per cent jump in volume to 28.6m contracts traded at Matif.

Matif had edged ahead of Liffe in 1989 when it traded a record 26m lots, 2m more than its London rival. However, the success of Liffe's German bond futures contract in the year of German monetary and political unification buoyed the exchange's volume.

Bund futures traded 9.6m lots in 1990, a leap of 75 per cent, from 5.5m the year before.

In France, the exchange's 10-year bond futures contract accounted for the lion's share of volume at the Matif, trading almost 16m contracts.

The exchange's fledgling Ecu bond futures, which started trading in mid-October, notched up 56,292 by the end of the year.

An increasing interest in international indices by fund managers saw Matif's CAC 40 index futures increasing in number by almost four times to 1.6m lots traded.

At Liffe, FT-SE 100 futures trading was up 40 per cent at 1.4m compared with 1m.

Liffe said that its after-hours screen trading system [redacted] about [redacted] its millionth contract.

## Hunting sells [redacted] components side for £5m

By Jane Fuller

Hunting, [redacted] defence, aviation and [redacted] loss-making car components [redacted] management for £5m.

The [redacted] Hunting Precision Components, which exports [redacted] parts [redacted] US, [redacted] regarded [redacted] Its [redacted] were [redacted] in [redacted] 1989.

The [redacted] price of £5m, of which £4.3m [redacted] paid in cash, was [redacted] line with the group's reduced expectations following the deterioration of the markets in which the non-core businesses were operating.

When Hunting announced a near 12 per cent increase in pre-tax profit to £19.86m for the first half of the year, it registered an extraordinary loss of £10.4m to cover the fall in the estimated realisable value.

## Amstrad in drive to boost European sales

By Michael Skapinker

AMSTRAD, [redacted] formed [redacted] joint [redacted] in [redacted] and [redacted] looking [redacted] acquisition in Scandinavia [redacted] part of a [redacted] its European sales.

Amstrad Hellas, the Greek subsidiary, will [redacted] owned by Amstrad, with [redacted] remaining [redacted] per [redacted] in [redacted] hands of Mr Akis Karaiosifidis, the owner of Micropolis, Amstrad's [redacted] distributor.

Mr Alan Sugar, chairman of Amstrad, [redacted] the [redacted] also [redacted] buy [redacted] iary in [redacted]

He was [redacted] in a [redacted] lar joint [redacted] agreement or [redacted] outright purchase.

Although [redacted] half Amstrad's [redacted] from outside [redacted] UK, [redacted] forays [redacted] foreign markets [redacted] not always been happy. In 1989, Mr Sugar replaced [redacted] managing director [redacted] Amstrad's Spanish company, [redacted] previously regarded [redacted] well run. Mr Sugar said, however, [redacted] had [redacted] "nightmare lesson" and was now more confident about his ability [redacted] choose for[redacted] managers.

Amstrad [redacted] announced [redacted] moving [redacted] iary to its group headquarters in Essex.

## Rising fuel costs hit Thai airline

THAI Airways International, the flag carrier of Thailand, has announced a fall in pre-tax operating profits to 6.75bn baht ($270m) for the year to September 30 [redacted] 7.42bn baht a year earlier, AP-DJ reports.

The company [redacted] the [redacted] to [redacted] fuel [redacted] and [redacted] in the [redacted] of the fiscal [redacted] and the world [redacted]

[redacted] revenues rose by [redacted] per cent to 48.62bn baht for the year, while expenses climbed by 16.1 per cent to 41.86bn baht.

The airline added 14 aircraft during [redacted] ton-kilometres [redacted] by 11 per [redacted] and [redacted] ton-kilometres by 14 [redacted] cent, improv[redacted] in 70.7 per [redacted] from [redacted] per cent.

A total [redacted] passengers [redacted] carried, an [redacted] 12.5 per [redacted] on the previous year.

## American Airlines to axe 11% of daily flights

By [redacted] Tait in New York

AMERICAN Airlines, one [redacted] largest [redacted] in [redacted] US, [redacted] cancel about 11 [redacted] of its daily flights by February.

[redacted] airline [redacted] reductions stem [redacted] "illegal job actions" by [redacted] pilots' union, although [redacted] union [redacted] organising any such moves.

The [redacted] in flights will [redacted] in various phases. Flights will be [redacted] by 4 [redacted] cent in January, as already announced, and then by a further 7 per cent in [redacted] following month.

The reductions will [redacted] American Airlines discon[redacted] services to eight cities, including Grenada and Curacao as well [redacted] US destinations such [redacted] Chattanooga, Tennessee [redacted] Charleston in South Carolina.

American Airlines claims that a record number of pilots, [redacted] been engaged in contract talks for a year, called in sick before Christmas, one of the busiest times [redacted] the year, and caused the airline to cancel more than 800 flights in a five-day period.

The [redacted] pilots to the [redacted] operation [redacted] flexibility.

[redacted] The US transport department has turned down a request by Delta Airlines for a combined hearing into the sales of transatlantic routes into London by Pan Am and Trans World Airlines to United Airlines and American Airlines respectively.

Explaining [redacted] decision, [redacted] authorities [redacted] that "it wouldn't [redacted] public interest" [redacted] delay the [redacted] in the [redacted] severely cash-strapped Pan Am.

## Sears, Roebuck cuts 21,000 jobs

By Barbara Durr in Chicago

SEARS, Roebuck, the struggling US retailer, has announced that it will [redacted]nate [redacted] non-selling [redacted] in its stores across the country by mid-year.

The move, which affects 7 per cent of its workforce, is [redacted] of the company's effort to cut costs to compete with such successful US discount chains [redacted] K-Mart and Target. It is [redacted] that the jobs [redacted] save the company some $250m annually.

Sears, Roebuck has been trying to revamp its core retailing operations [redacted] but [redacted] so [redacted] been unable to turn [redacted] operation around. [redacted] for the [redacted] December [redacted] up [redacted] poor 1.8 [redacted] for [redacted] more than [redacted] year.

## Lexicon in profit after second half improvement

A MATERIAL [redacted] in [redacted] put [redacted] into profit for the year ended August 31 1990, [redacted] losses in the three previous periods.

This Boston-based maker [redacted] digital [redacted] processing equipment, [redacted] in London, [redacted] controls as well as strong sales of professional audio products [redacted] major factors in improving profitability.

Pre-tax profit [redacted] came to $99,000, against [redacted] of $89,000. After [redacted] and cumulative [redacted] of change in accounting principle the [redacted] profit [redacted] (loss [redacted] or [redacted] cents [redacted] (2 cents). In view [redacted] the company's growth needs the dividend is again 0.25 [redacted] officer/director shareholders have waived their entitlement.

There was a 12 per cent drop in [redacted] to $15.08m, primarily [redacted] working capital lim[redacted] which restricted the delivery [redacted] high volume prod[redacted] backlogs [redacted] record [redacted] mid-year and [redacted] strong through the year-end and [redacted] the cur[redacted] term.

## Durham expansion

DG Durham Group, the USM-quoted Lloyd's of London insurance broker, is expanding with [redacted] acquisition of the broking businesses of Hadley Cannon International and associated companies, for an undisclosed [redacted]

Hadley Cannon [redacted] largest independent marine [redacted] Lloyd's, [redacted]cialising in the freight forwarding industry. The enlarged Durham Group will generate brokerage income of £12m.

## CROSS BORDER M&A DEALS

| BIDDER/INVESTOR | TARGET | SECTOR | VALUE | COMMENT |
|---|---|---|---|---|
| United [redacted] (UK) | [redacted] (Denmark) | [redacted] | N/a | Further RJR [redacted] fallout |
| Total-CFP (France) | Finagas unit [redacted] (Belgium) | Liquefied gas distribution | [redacted] | Total [redacted] position |
| Morning [redacted] Holdings (Hong Kong) | [redacted] Holdings (Australia) | Hotels | £15m | [redacted] approval [redacted] s'holders, regulators |
| Claridge [redacted] (Canada) | [redacted] (Israel) | Food | £14m | [redacted] surprise [redacted] |
| [redacted] (Ireland) | [redacted] Group (France) | Paper [redacted] packaging | N/a | Continuing European development |
| Compagnie [redacted] (France) | [redacted] (UK) | [redacted] systems | £6.24m max | [redacted] |
| [redacted] (Ireland) | E [redacted] and [redacted] Dairies (UK) | Dairy produce | £3.25m | UK expansion for Cork firm |
| [redacted] (UK) | D [redacted] Fils (France) | [redacted] equipment | [redacted] | NT [redacted] European growth |
| BHP (Australia) | [redacted] Titan (Papua [redacted] Guinea) | [redacted] processing | [redacted] | BHP [redacted] 80% |
| Hanson (UK/US) | [redacted] (Canada) | [redacted] | £7.1m | Expansion [redacted] existing [redacted] |

writes Brian Bollen.

Source: FT Mergers & Acquisitions International

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ALL OUTSTANDING CERTIFICATES WITH SERIAL NUMBERS ENDING WITH [redacted] OF THE [redacted] DIGITS
06 07 11 [redacted] 20 34 [redacted] 87 83 88 90 94 100

ALL [redacted] WITH THE [redacted] SERIAL [redacted]
192 992 1392 1592 2292 2392 2492 2592 2992 3092 3292 3592 3792 3992 4892
5092 5392 5692 5992 6292 6592 6692 7392 7892 8092 8492 8692 8992 9592

On January 31, 1991, the Certificates designated above will become due and payable at the redemption price as aforesaid in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts therein, and will be paid, upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder either (a) at the Corporate Trust Department of Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, N.Y. 10015, or (b) subject to applicable laws and regulations, at the main office of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt/Main or London, or the main office of Swiss Bank Corporation [redacted] Switzerland, or the main office of Banque Internationale à Luxembourg in Luxembourg. Payments at the office of any paying agent [redacted] of the United [redacted] will be made by cheque drawn on, or transfer to [redacted] United [redacted] dollar account with, a bank in New York City. Any payment made within the United States or transferred to an account maintained by [redacted] non-U.S. payee with a bank in the United States may be subject to reporting to the [redacted] Internal [redacted] Service (IRS) and to backup withholding at a rate of 20% if payees [redacted] recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8 certifying under penalties of perjury that the payee is not a United States person. Payments to non-exempt U.S. payees are reportable to the IRS and those U.S. payees are required to provide to the Paying Agent [redacted] executed IRS Form W-9 certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate) to avoid 20% withholding of the payment. Failure to provide a correct taxpayer identification number may also subject a U.S. payee to a penalty of $50.

Coupons [redacted] January 1991 should be detached and collected in the usual manner.

From and after January 31, 1991, interest shall cease [redacted] accrue on the Certificates herein designated for redemption.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, Principal Paying Agent

Dated: January 7 1991

CIVAS 7 LIMITED
US$100,000,000
Secured Floating Rate Notes due 1993
[redacted] January 7, [redacted] to July 8, 1991, [redacted] US$100,000 [redacted]
January 7, 1991
By Citibank, N.A., (CSSI Dept.), Agent Bank

IMPERIAL ECU FUND (liquidation)
Investment Company with Variable Capital
Registered Office : Luxembourg

Shareholders are informing of liquidation's dividend payable on and after the 8th January 1991 against coupon No. 1.
Amount is 1.196 ECU per share of BOND SUB-FUND compartment, 948 ECU per share of MONEY MARKET SUB-FUND compartment.
Shareholders should present their coupons at BANQUE DE LUXEMBOURG, 103 Grand-rue, 1661 Luxembourg.

A. Schaus jr
Liquidator of
IMPERIAL ECU FUND SICAV

Notice to the holders of
ACCOR USD 40.000.000
7 1/2 [redacted] Convertible Bonds due 1999
Convertible into ordinary shares of ACCOR

Notice is hereby given that the conversion rate of the above bonds has been adjusted and changed, effective as of 1 st December 1990 from 38,65 to 39,27 ordinary shares per USD: 1.000 principal amount of Bonds.

THE FISCAL AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
LUXEMBOURG BRANCH

City of Copenhagen
¥7,000,000,000
Floating [redacted] Notes
Due [redacted]

Notice is hereby given that the [redacted] of Interest for the Interest Period from 5th January, 1991 to 5th July, 1991 is [redacted] per annum.

Interest payable on 5th July, 1991 will [redacted] to ¥3,386,932 per [redacted] principal amount [redacted] Notes.

Agent Bank
The Long-Term Credit Bank [redacted] Japan, Limited
Tokyo

U.S. $100,000,000
Security Pacific Corporation
Subordinated Floating [redacted] Notes due 1992

Notice is hereby given [redacted] for the Interest Period from January 7, 1991 to April 8, 1991 the Notes will carry an [redacted] per annum. The coupon amount payable on April 8, 1991 will be U.S. [redacted]43 [redacted] U.S. $192.74 respectively for Notes in [redacted] nations of U.S. $100,000 and U.S. $10,000.

By: The Chase Manhattan Bank, N.A. London, Agent Bank
January 7, 1991

FLASH EIGHT LIMITED
U.S. $30,000,000
[redacted] Floating Rate Notes Due 1993

In accordance with the conditions of the notes, notice is hereby given [redacted] period 7th January 1991 to 8th July 1991 (182 [redacted] will carry an interest [redacted] p.a. Relevant interest payments will be as follows:
Notes of U.S. [redacted]
U.S. $3,839.69 per coupon.
THE SANWA BANK LIMITED
Agent Bank

U.S. $100,000,000
BIL
Brierley Investments Overseas N.V.
(Incorporated [redacted] liability [redacted])
Floating Rate Notes Due 1992
all unconditionally [redacted] irrevocably guaranteed by
Brierley Investments Limited
(Incorporated with [redacted] liability in [redacted] Zealand)

In accordance with the terms and conditions of the Notes, notice is hereby given, that for the period from January 7, 1991 to April 8, 1991 the Notes will carry an interest rate of 7.575% per annum. The amount payable on April 8, 1991 will be [redacted] U.S. [redacted] per U.S. $10,000 principal amount of Notes.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank
CHASE

Yen 10,000,000,000
MEPC
Metropolitan Estate and Property International N.V.
(Incorporated with [redacted] liability in [redacted] Netherlands)
Floating Rate Guaranteed Notes due 1995
irrevocably and unconditionally guaranteed by
MEPC plc
([redacted] Incorporated with limited liability in England under the Companies Act 1929)

Notice is hereby given that for the Interest Period from January 7, 1991 to July 8, 1991 the Notes will carry an [redacted] Rate of [redacted] per annum. The [redacted] of interest payable on July 8, 1991 will be [redacted] per Yen 10,000,000 principal amount of Notes.

By: The Chase Manhattan Bank, N.A.
London, Principal Paying Agent
CHASE

EAGLE LIMITED
(Incorporated with [redacted] liability in [redacted] Cayman Islands)

Series "A"
US$ 65,000,000
Secured Floating Rate Notes Due 1992

In accordance with [redacted] provisions of the Notes, notice is hereby given that [redacted] of interest for the interest period 7th January [redacted] 8th July 1991 [redacted] been fixed [redacted] 7·575% p.a. The coupon [redacted] payable [redacted] July 1991 will be [redacted] 38,295·83 per [redacted] 1,000,000 Note.

The Yasuda Trust and Banking Co., Ltd.
London
Agent Bank

Citicorp Banking Corporation
U.S. $250,000,000
Guaranteed Floating Rate Subordinated Capital Notes Due July 10, 1997
Unconditionally Guaranteed on a Subordinated Basis by
CITICORP

Pursuant to Paragraph (d) of the Terms and Conditions of the Notes notice is hereby given that the period in respect of Coupon No. 26 will run from January 22, 1991 to February 22, 1991. A further notice will be published advising Rate of Interest and Coupon amount payable.

January 7, 1991, London
By: Citibank, N.A., (CSSI Dept.), Agent Bank
CITIBANK

IG INDEX
TELEPHONE: 071-828 7233 AFBD MEMBER
FTSE 100
Jan. 2126/2136 +18
Mar. 2156/2166 +18
WALL STREET
Jan. 2570/2582 -5
Mar. 2576/2588 -6
5pm Prices. Change from previous 9pm close
HOW WELL DID YOU JUDGE THE MARKET?

WORLD MARKETS IN REAL TIME!
£310 per month
(+VAT and Exchange Fees)

# INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

## New questions for the new year

[illegible] YEAR, [illegible] questions. For the past few months, politicians and economists have argued earnestly whether or not the US [illegible]nomy was in a recession.

Now that the authorities have conceded that it [illegible] the deba[illegible] [illegible] set to move on. The question taxing the markets last week was simple: how long will such a state of affairs persist?

The answer is anything but clear-cut. The official line is that the recession should be short and shallow. The projection is for [illegible] fall [illegible] GNP [illegible] per cent in the fourth quarter of [illegible] [illegible] by a further, but more modest, [illegible] 1.3 per cent in the first three months of 1991.

This optimistic [illegible] neatly [illegible] by the [illegible] unemployment figures [illegible] on Friday.

The surprise for analysts was that the number [illegible] farm jobs slipped by only [illegible] month – [illegible]t half the number that they, and the markets, had been expecting.

The significance of this data is debatable. Those analysts [illegible] a bearish view [illegible] quick to offer explanations. One argument [illegible] had [illegible] unusually speedy in sensing the impending recession and, accordingly, had cut jobs at an early stage of the down-cycle. [illegible] plausible, perhaps, [illegible] the simple [illegible]vation that jobless [illegible] riously volatile, and [illegible] three-month trend on this front [illegible] still convincingly grim.

Pressing [illegible] their case, [illegible] bears [illegible] that, [illegible]ployment figures aside, there [illegible] a steady run [illegible] dismal economic [illegible] of late. "The bulk of the economic [illegible] continues to signal steeply sliding economic activity," suggested [illegible] Brothers, in the [illegible] of Friday's news.

"Reports in [illegible] past week have registered a record plunge in factory orders, [illegible] drop in [illegible] purchasing [illegible]ers' index to [illegible] November [illegible] a rise in [illegible] jobless claims, [illegible] at [illegible] sales."

Add on [illegible] crisis uncertainty [illegible] the deeply-indebted [illegible] of a large tranche of [illegible]porate America, [illegible] it is easy [illegible] that recession will be neither short nor shallow. "This recession is bad already and [illegible] worse than it looks by normal measures – mild it won't be," suggested Mr [illegible] Brusca, [illegible] for [illegible] Securities.

[illegible] with [illegible] conflicting views, [illegible] little for [illegible] bond markets to do but prevar[illegible]. The 30-year Treasury [illegible] the old year's final week of trading yielding a whisker under 8.30 per cent. As the initial [illegible] of drab statistics got under way, prices moved [illegible] and yields showed a corresponding drop – first to 8.24 [illegible] cent, then [illegible] 8.13 per cent, and finally to [illegible]

But Friday's news quickly [illegible] trend – [illegible] the [illegible] that [illegible] immediate easing on the inter[illegible] rate front could be delayed [illegible] economy [illegible] already showing [illegible] of recuperation. [illegible] surged across the market, and the long [illegible] yield moved back [illegible] per [illegible]

In fairness, [illegible] jobless data [illegible] the market's only [illegible]. For [illegible] start, there is the continuing instability [illegible] the Gulf. [illegible] concretely, the market knows that [illegible] current [illegible] likely [illegible] heavy tranche [illegible] new issues.

Still, amid [illegible] long faces there [illegible] still the odd enjoy[illegible] moment. The Federal Reserve, moving [illegible] at [illegible] of last week, chose [illegible] some $2.5bn [illegible] the [illegible]ing system. [illegible] largesse, however, proved somewhat overdone [illegible] the Fed [illegible] rate – which [illegible] opened at 7.25 per cent, or one-quarter of a [illegible]centage point above the per[illegible] target – fell [illegible] as little as [illegible] per cent by the close. This was unquestionably an aberra[illegible] – less politely, a blunder – [illegible] will [illegible] persist. But, just for a moment, it was [illegible] rather [illegible] thought.

**Nikki T[illegible]**

### US MONEY MARKET RATES (%)

| | Last Friday | [illegible] | [illegible] | [illegible] High | [illegible] Low |
|---|---|---|---|---|---|
| Fed Funds (wt weekly av.) | [illegible] | 6.50 | 7.06 | 9.92 | 5.00 |
| Three-month Treasury bills | 6.71 | 6.62 | 7.18 | 9.11 | 6.62 |
| Six-month Treasury [illegible] | 6.80 | [illegible] | [illegible] | 9.27 | [illegible] |
| Three-month prime [illegible] | 7.41 | [illegible] | 7.15 | 10.35 | [illegible] |
| 30-day Commercial [illegible] | 7.15 | [illegible] | 7.20 | 9.93 | 7.15 |
| 90-day Commercial Paper | 6.95 | [illegible] | 7.50 | 10.05 | [illegible] |

### US BOND PRICES AND YIELDS (%)

| | Last Fri. | [illegible] | [illegible] | 1 week ago | 4 wk ago |
|---|---|---|---|---|---|
| Seven-year Treasury | 104¼ | +[illegible] | [illegible] | 8.0[illegible] | [illegible] |
| 20-year Treasury | 109[illegible] | +[illegible] | 8.21 | [illegible] | 8.19 |
| 30-year Treasury | 105[illegible] | +1[illegible] | 8.20 | [illegible] | 8.18 |

Money supply: In [illegible] to $826bn

### NRI TOKYO BOND INDEX

| December 1983 = [illegible] | [illegible] | Average yield (%) | Last week | 12 wks ago | [illegible] wks ago |
|---|---|---|---|---|---|
| Overall | 150.72 | 7.16 | 150.77 | [illegible] | [illegible] |
| Government Bonds | 148.64 | [illegible] | 148.52 | [illegible] | [illegible] |
| Municipal Bonds | 153.16 | [illegible] | 153.14 | [illegible] | [illegible] |
| Govt.-guaranteed Bonds | 155.59 | [illegible] | [illegible] | 146.28 | [illegible] |
| Bank Debentures | 147.70 | 7.25 | 148.09 | [illegible] | [illegible] |
| Corporate Bonds | 152.53 | [illegible] | 152.30 | [illegible] | [illegible] |
| Yen-denom. Foreign Bonds | 156.22 | [illegible] | 156.00 | [illegible] | [illegible] |
| Government 10-year† | 6.60 | | 6.62 | 7.65 | 6.72 |

† Estimated par yield

Source: Nomura Research [illegible]

UK GILTS

## Gulf crisis worries shrugged aside

[illegible] gilt-edged securities market [illegible] its pre-Christmas upward thrust, buoyed by confirmation that the government would [illegible] a tough line on defending [illegible] pound.

Shrugging [illegible] worries [illegible] a war in the Gulf would send [illegible] inflationary [illegible] throughout the world, [illegible] was in an optimistic mood. Long-duration gilts [illegible] particular, showing [illegible] increase in prices [illegible] the week of about 1 point and a consequent drop in yields.

The benchmark 9 [illegible] cent Treasury bond maturing in [illegible] reflected this trend. It [illegible] quoted on Friday night [illegible] just under 89, a rise of about 1½ points on the week. [illegible] yield [illegible] on Friday [illegible] 10.12 per cent.

In the longer term, [illegible] projection by Warburg Securities shows, [illegible] outlook for [illegible] long end of [illegible] gilt market may [illegible] less rosy.

Warburg economists [illegible] predicting that yields for long gilts will continue declining only for [illegible] few months, [illegible] rising later in [illegible] year as [illegible] result of a rush [illegible] new [illegible] issues expected in the [illegible] financial year.

The [illegible] gilts may [illegible] because of the government's rapidly increasing requirement to borrow [illegible] fund pub[illegible] spending.

Mr John Shepperd, a Warburg analyst, [illegible] "We [illegible] talking [illegible] a conveyor [illegible] gilt [illegible] during [illegible] year. To begin with, these may not [illegible] much effect in damping down prices. But they will [illegible] so towards the end [illegible] 1991, particularly [illegible] of the market."

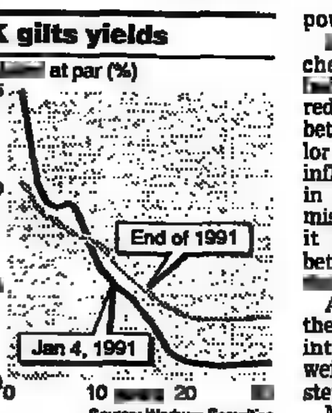
[illegible] yield curve, a [illegible] of [illegible] applies. The gen[illegible] final yields will [illegible] down during [illegible], reflecting [illegible] anticipated reductions in the [illegible] rate. Preoccupying [illegible] market, however, [illegible] which borrowing [illegible]

Gilts [illegible] helped during the [illegible] by [illegible] Mr Norman Lamont, [illegible] chancellor, [illegible] he [illegible] unlikely [illegible] the [illegible] borrowing until [illegible] pound strengthened in [illegible] European exchange [illegible] mechanism.

Largely as [illegible] result [illegible] remarks, sterling [illegible] on Friday [illegible] DM2.9125, a gain [illegible] pfennigs on the week. [illegible] still, however, some [illegible] pfennigs below [illegible] tral [illegible] in [illegible] ERM.

**UK gilts yields**

[illegible] at par (%)




Source: Warburg Securities

To judge from his [illegible] comments, Mr Lamont [illegible] enjoying the role of [illegible] hard-nosed poker player making [illegible] of [illegible] hand.

He plainly intends to sit tight over [illegible] next few [illegible] – telling [illegible] markets that he [illegible] no intention [illegible] borrowing [illegible] to revive [illegible] economy.

Only [illegible] pound has firmed [illegible] chancellor likely [illegible] judge [illegible] can make the politically popular move [illegible] cutting [illegible] – without [illegible] risk [illegible] consequent [illegible] appeal of sterling [illegible] international investors will send the pound to its ERM floor.

[illegible] for the gilt market, it is cheering on Mr Lamont. It [illegible] that [illegible] opportunities for reducing inflation [illegible] all the better the longer the chancellor [illegible] hold out. The annual inflation rate [illegible] 9.7 per cent in November and many economists, and the Treasury, think it will be brought down to between [illegible] 6 [illegible] by [illegible] the year.

A contrasting view [illegible] that the political risks of keeping interest [illegible] high may outweigh the problems related to sterling.

Mr Richard Jeffrey, an economist [illegible] Hoare Govett, [illegible] Mr Lamont should take [illegible] eyes off sterling and cut [illegible] by 2 per [illegible] by the [illegible] March. "It [illegible] a knee-jerk reaction to think that the pound would necessarily fall; it [illegible] just as likely [illegible] go the other [illegible] investors gain confidence that [illegible] UK [illegible] a future," [illegible]

Should Mr Lamont [illegible] this [illegible] – and all [illegible] signs at [illegible] moment [illegible] that [illegible] will not – [illegible] gilt market might [illegible] in [illegible] the pattern for inflation during [illegible]

**Peter Marsh**

GERMAN BONDS

## Investors pleased to see the back of 1990

FEW PEOPLE will [illegible] surprised that the German bond market [illegible] a good place to [illegible] in [illegible]

Domestic investors [illegible] overall returns, [illegible] D-Marks, on bonds of [illegible] maturity of "between 0 per cent [illegible] per cent", according to [illegible] they would have [illegible] in most other European markets, picking up more [illegible] in Spain.

However, German investors bought a record number of bonds [illegible] year. Indeed, their [illegible] appetite contributed [illegible] the fact that, despite [illegible] avalanche of new [illegible] in [illegible] sec[illegible] of [illegible] yields [illegible] 10-year paper never quite [illegible] the February highs when international investors [illegible] became alarmed at the financial magnitude of the east [illegible]

[illegible], the strength of the D-Mark and the unusual spread [illegible] bunds [illegible] US treasuries [illegible] some [illegible] players, global capital shortages [illegible]ing, back [illegible] Germany. They [illegible] needed in [illegible] when [illegible] expected [illegible] DM1bn for every working day.

Still, leaving aside the imponderables of [illegible] international situation, [illegible] German bond market [illegible] into 1991 cynical about [illegible] ability [illegible] keep [illegible] budget [illegible] DM140bn, but fairly [illegible] real yields [illegible] 6 per [illegible] will, [illegible] they [illegible] through [illegible] upsets of 1990, attract sufficient capital [illegible] plug [illegible] ingly [illegible] German financing pit.

[illegible] more immediate concern is the [illegible] of [illegible] official [illegible] rise. The first Bundesbank council meeting of the year passed without incident. But short-term market rates already [illegible] the unmistake[illegible] sabre-rattling in [illegible] report [illegible] fiscal laxity, combined [illegible] looming [illegible] rounds, [illegible] force the [illegible] to tighten again.

The market's expectations, bolstering [illegible] D-Mark nicely, [illegible] extent [illegible]plishing the [illegible] task for it. Moreover, any [illegible] will [illegible]

[illegible] Budget will [illegible] Cabinet until mid-February [illegible] earliest, leaving open [illegible] then [illegible] question [illegible] what proportion of the proj[illegible] in budget [illegible] will be achieved.

A floating Lombard rate could [illegible] introduced, whereby [illegible] central bank, under pres[illegible] from falling [illegible] the recessionary economies outside Germany, would fix [illegible] gency borrowing rate at [illegible] specific margin over call money.

The technical benefits of this would [illegible] in preventing banks over-using the [illegible] facility when it fell [illegible] market [illegible] – a persistent problem recently. But also, [illegible] floating ceiling [illegible] Bundesbank [illegible] nudge [illegible] via the weekly repurchase agreements, [illegible] discreet, – and less inflammatory to the international community – than [illegible] Lombard adjustments.

The only snag [illegible] the regional [illegible] directors [illegible] say [illegible] the latter, but not [illegible] former, and so [illegible] apparently [illegible] than enthusiastic.

The bond market might spe[illegible] time puzzling over the monetary policy implications of such [illegible] move – particularly [illegible] it accompanied by an offsetting relaxation of minimum reserve requirements on [illegible] money.

**Katharine Campbell**

### FT/AIBD INTERNATIONAL BOND SERVICE

| | | | | | |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units. FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for [illegible] dollars. C.cpn = current coupon. CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the [illegible] recent share price. WARRANTS: Equity warrant prem = exercise premium over current share price. [illegible] warrant cv yld = exercise yield at current warrant price.

Closing prices on January 4

This announcement appears as a matter of record only

EUROPEAN COAL AND STEEL COMMUNITY

5,000,000,000
Portuguese Escudos

E.C.S.C. BOND ISSUE / 90
«Caravela» Issue

Bonds Due: 1995
Annual Fixed Interest Rate: 15.75%
Issue Price: 100 5/8%

BPI - Banco Português de Investimento

CGD - Caixa Geral de Depósitos
Deutsche Bank de Investimento

[illegible] de Fomento e Exterior
Banco Totta & Açores
Banco Português do Atlântico
Bilbao Vizcaya - Soc. de Investimentos
Crédit Lyonnais (Portugal)

Bankers Trust International Ltd.
Banesto - [illegible] Español [illegible] Crédito, SA
Banco Bilbao - Vizcaya
J. P. Morgan Securities [illegible]
Mitsui Taiyo Kobe International Ltd.
Paribas Capital Markets Ltd.
Deutsche Bank A.G.
Amsterdam - Rotterdam Bank N.V.
Crédit Lyonnais (Paris)
Lloyd's Bank (Lisboa)
Nomura International Plc
Tokyo Sociedad de Valores (España), [illegible]

December 1990

هكرامن الأصل

## INTERNATIONAL CAPITAL [illegible]

INTERNATIONAL CREDITS

# Mortgage Corp doubles sterling CP programme

THE Mortgage Corporation (TMC), the [illegible] mortgage lending [illegible] of Salomon Brothers [illegible] the US, [illegible] doubled the size [illegible] sterling commercial paper (CP) programme to £500m, making it the largest issuer [illegible] paper in the sterling market, according [illegible] company.

"Commercial paper diversifies our sources of funding and provides cost-effective finance at [illegible] below Libor [London Interbank Offered Rate]," [illegible] Mr Jon Boyle, *TMC treasury director.*

[illegible] of [illegible] under the company's programme recently reached [illegible] peak of [illegible] with [illegible] maintained [illegible] £200m in December against [illegible] background of a general drop [illegible] outstanding sterling CP. Mr Boyle cites [illegible] investor interest in [illegible] company's paper [illegible] an additional reason [illegible] boosting the programme.

The paper carries a guarantee from Salomon and has a strong underlying security [illegible] to [illegible] TMC's residential mortgage lending prior [illegible]

[illegible] CP provides [illegible] Libor funding, Mr Boyle [illegible] it [illegible] much cheaper than securitising mortgages [illegible] which *TMC has paid 18* [illegible] *37.5* [illegible] *points over Libor in the past.*

"We have never turned [illegible] a deal irrespective of [illegible] maturity for any [illegible] other than price," he [illegible] "we [illegible] *great flexibility over* [illegible] *and can go in maturities from* a week to a year."

[illegible] Meyer International, the building materials and timber [illegible] rearranged [illegible] syndicated [illegible] facilities to [illegible] its overall facility. The company has agreed to reduce its medium-term loan [illegible] £120m to £95m [illegible] which it will continue to pay 30 basis points over Libor. In addition, [illegible] has agreed a three-year term [illegible] revolving credit facility which will be scaled down to £45m from [illegible] The interest margin is [illegible] points over Libor.

**Deborah Hargreaves**

ECU BOND MARKETS

# A favourite child within the financial community . . .

AMID THE political manoeuvring that surrounded [illegible] opening [illegible] the Inter-Governmental [illegible] (IGC) in [illegible] month, a rather [illegible] anniversary went unnoticed. The European currency unit [illegible] 12 [illegible] old, having [illegible] born, or [illegible] least first sighted, in a European Commission memorandum dated December [illegible] 1978.

The outcome of [illegible] not [illegible] known until [illegible] half [illegible] 1991, but whatever the political leaders decide, [illegible] *financial community has shown itself* [illegible] be an influential friend of the fledgling common currency.

[illegible] Ecu took [illegible] first faltering steps towards common [illegible] in [illegible] when [illegible] Ecu-denominated [illegible] Today there [illegible] worth of fixed-rate Ecu [illegible] outstanding [illegible] international bond market – making it [illegible] ranking currency by [illegible] of outstanding [illegible] in [illegible]

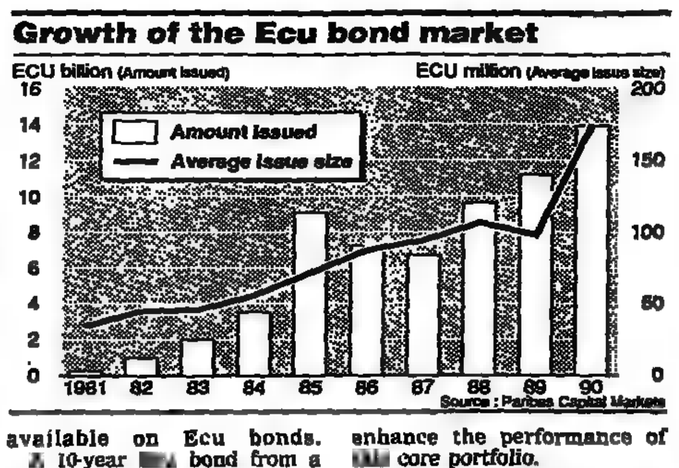
[illegible] year, Ecu14bn ($17.5bn) [illegible] were issued, making it the fourth [illegible] popular currency among international investors, behind dollars, *sterling and yen.* [illegible] *first time,* last year [illegible] Ecu bonds [illegible] launched into [illegible] international market than bonds denominated in [illegible]

According to many observers, Ecu bond issuance is set to mushroom [illegible] the [illegible] five [illegible] A recent survey [illegible] financial institutions [illegible] see [illegible] new Ecu-denominated bonds, rising to [illegible] in [illegible] and $61.1bn in [illegible] Given a favourable political environment, [illegible] analysts [illegible] these figures may [illegible] the eventual outcome.

Moreover, the Ecu [illegible] not only popular within Europe. Investors from every part of [illegible] world [illegible] warmed [illegible] Ecu paper.

*It is* [illegible] about *Ecu6bn, 10 per* [illegible] *of outstanding* [illegible] bonds, [illegible] by Japanese investors. For example, all [illegible] eight Japanese [illegible] companies [illegible] 2 per [illegible] and [illegible] per [illegible] of their [illegible] Ecu. *Together,* [illegible] *big eight* [illegible] Ecu3.1bn [illegible] – a figure which is steadily rising.

International investors [illegible] attracted by the combination of relatively high *yields* [illegible] *currency* [illegible]




available on Ecu bonds. [illegible] 10-year [illegible] bond from a top-rated borrower will *yield 10* per cent or more, against perhaps 8.8 per [illegible] in D-Marks. Yet the German currency makes [illegible] than [illegible] per [illegible] of the [illegible] and in [illegible] four years the [illegible] has depreciated very [illegible] against [illegible]

Japanese institutions [illegible] increasingly using Ecu [illegible] as [illegible] of their European investments.

[illegible] *markets, such* [illegible] *that of the* [illegible] *franc,* [illegible] enhance the performance of [illegible] core portfolio.

[illegible] bond market betrays [illegible] youth. For example, the full [illegible] of hedging instruments, with which sophisticated investors [illegible] portfolio risk, [illegible] yet [illegible]

[illegible] "*financial* infrastructure" is emerging. The Matif, the [illegible] financial [illegible] exchange, launched [illegible] Ecu bond [illegible] month. The [illegible] *national Financial Futures* Exchange [illegible] will [illegible] competitive product in March.

*Banque Paribas* recently launched an [illegible] liquid [illegible] bond [illegible] portfolio [illegible] will use [illegible] measure [illegible] performance [illegible] the market. This [illegible] used as the *basis for* [illegible] *and other products.*

Last [illegible] particularly satisfying for the Ecu bond market's supporters. For with a sharp overall [illegible] in volume, big and liquid benchmark [illegible] the [illegible]

[illegible] more than Ecu1bn [illegible] European Investment Bank, Italy [illegible] provided liquidity in a [illegible] that previously comprised mostly *smaller,* [illegible] heavily [illegible] These benchmark [illegible] Ecu investment institutions restricted [illegible] buying only the [illegible] quality, [illegible] liquid [illegible]

*The economic* [illegible] *borrowing* [illegible] Ecu [illegible] clear for sovereign governments and supranational organisations. [illegible] a composite basket of [illegible] European currencies, [illegible] borrowings [illegible] a built-in hedge against currency risk.

*However,* [illegible] *political* [illegible] *fits are also substantial for* governments encouraging full monetary union. The first UK government bond denominated in Ecu, expected in the current quarter, *will be used as an attempt to* [illegible] issuer's European credentials.

For companies, the economic benefits of issuing Ecu bonds depend [illegible] being able to swap the proceeds of the issue into [illegible] operating currency. For despite the volume of Ecu debt outstanding, the currency does not yet have legal tender status within the European Community.

When [illegible] currency [illegible] interest rate [illegible] available, UK *companies* such as Abbey National, British Tele[illegible], [illegible] Gas, [illegible] and Maxwell Communication Corporation have been able to achieve [illegible] rate sterling funding well below the London [illegible]

However, the opportunity to [illegible] Ecu [illegible] dependent [illegible] finding [illegible] counterparty equally willing [illegible] swap into Ecu. In the past, [illegible] opportunities have centred on the activities of sovereign governments. *For example,* an Italian government's Ecu750m five-year domestic bond issue [illegible] May opened the way [illegible] Ecu735m [illegible] swap-driven deals by other [illegible]

National treasuries, such as Denmark's, have also increased their exposure to the Ecu by simply swapping holdings of other currencies into Ecu rather than issuing Ecu bonds. They have been willing counterparties for companies looking to swap the other way.

However, swaps come and [illegible] go. [illegible] year, swap opportunities were few, and the number of Ecu bond issues by companies fell as a direct result. Only 33 per cent of Ecu bonds were *issued by companies* in 1990, against 48 per cent in 1989 and 44 per cent in 1988.

According to the friends of the Ecu, this is nothing more than a temporary hitch. Swap opportunities will return, they say, and companies are keen to *establish their name in the Ecu* market. They cite a recent Lon[illegible] conference on [illegible] bonds which [illegible] by representatives of companies [illegible] Kingfisher, Beazer, BAT Industries and British Petroleum.

**Simon London**

# . . . whose growth is in danger of attracting too many brokers

[illegible] banks [illegible] rushing [illegible] the European currency unit [illegible] market, [illegible] *fastest-growing sector of* [illegible] *international bond market.*

*Many Ecu bond trading* operations are being [illegible] up this year, and the proliferation of dealers threatens to overcrowd the market and is bound to squeeze profit margins.

**EUROMARKET TURNOVER ($m)**

[illegible] Market

| | Straights | Conv | FRN | Other |
|---|---|---|---|---|
| US$ | [illegible] | 0.0 | [illegible] | [illegible] |
| Prev | [illegible] | 0.0 | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | 0.0 | [illegible] |
| [illegible] | [illegible] | [illegible] | 592.3 | [illegible] |

Secondary Market

| | Straights | Conv | FRN | Other |
|---|---|---|---|---|
| US$ | [illegible] | [illegible] | [illegible] | [illegible] |
| Prev | [illegible] | 678.1 | [illegible] | [illegible] |
| Other | [illegible] | 319.9 | 2,314.4 | 23,945.7 |
| Prev | 21,417.5 | 740.7 | 2,933.8 | 30,568.0 |

| | Cedel | Euroclear | Total |
|---|---|---|---|
| US$ | 14,862.9 | 16,342.5 | 31,205.4 |
| Prev | [illegible] | 23,136.1 | 33,855.0 |
| Other | [illegible] | 24,286.6 | 46,511.7 |
| [illegible] | [illegible] | 36,850.3 | 63,562.5 |

Week to January [illegible]

*Source: AIBD*

Although [illegible] growth of the Ecu [illegible] expected [illegible] accelerate, it will [illegible] sufficient [illegible] satisfy [illegible] *institutions now entering* [illegible]

The development of [illegible] liquid, actively-traded market in sovereign and supranational agency paper [illegible] a growing band of institutional investors. *Some view the Ecu sector* [illegible] *Eurobond market* as an alternative to conven[illegible] New [illegible] generating some fresh business, but the pace of the industry's [illegible] is outstripping [illegible] growth [illegible] market.

"*The Ecu bond* [illegible] *is set* [illegible] become over-broked. [illegible] signs are all there, [illegible] seen them all before," says one banker.

[illegible] rush for business appears surprising in times of recession, considering the widespread awareness [illegible] profitability will [illegible] achieve. But the Ecu bond market [illegible] *become,* [illegible] the [illegible] banker, "a market we cannot [illegible] not [illegible] be in".

*Until recently,* [illegible] market [illegible] *dominated by* [illegible] *small group of committed dealers,* [illegible] notably [illegible] French [illegible] Paribas. The number [illegible] reporting [illegible] registered [illegible] the Association of International Bond Dealers has already [illegible]

*Among Japanese* [illegible] houses, Fuji [illegible] tional and Yamaichi International plan to become reporting dealers [illegible] year. Nikko [illegible] making [illegible] in [illegible] Eurobonds [illegible] Nomura became a [illegible] the [illegible] Many Japanese [illegible] are likely [illegible] on Japanese institutional placement.

[illegible] are [illegible] looking for [illegible] they [illegible] offer a specialised [illegible] Bank, the UK investment bank, [illegible] dollar [illegible] market, [illegible] making [illegible] in Ecu bonds for clients [illegible] December. [illegible] not plan [illegible] on [illegible] business, but will focus on its large retail *client base. "We* [illegible] *getting into the* [illegible] market because retail [illegible] asking for [illegible] service," explains Mr Géraud [illegible] Nadaillac, syndicate director [illegible] Hambros [illegible]

Westpac Banking Corporation, which also specialises in [illegible] dollar sector, is *seeking an* [illegible] *Eurobond* [illegible] strategy is to build a presence [illegible] first trading [illegible] 60 [illegible] with [illegible] to test [illegible]

Among UK firms, Baring Brothers, [illegible] bank, *pulled out of the market at the* [illegible] *of* [illegible] *rejoining* the [illegible] this [illegible] will be [illegible] The [illegible] already [illegible] Ecu [illegible] and is looking [illegible] on [illegible] staff.

Barclays de [illegible] already makes [illegible] clients *and is about to become an* [illegible] *reporting dealer. Mid*[illegible] Montagu [illegible] on [illegible] last month and expects [illegible] become [illegible] later in the year.

The strategy of [illegible] players [illegible] likely [illegible] be [illegible] aggressive than *in the past. Banks have* learned [illegible] least [illegible] dangers [illegible] over-competitive *markets,* and the industry is [illegible] such financial pressure that firms cannot afford to buy market share.

In practice, some dealers suggest that for [illegible] newcomers, reporting [illegible] will be *nominal. "To gain a* foothold in the market at this stage requires a sizeable com*mitment of resources which* most banks are not prepared to make," says one banker. Many dealers suggest the market will continue to be dominated by half a dozen players, with perhaps a few [illegible] houses finding *profitable niches.*

**Tracy Corrigan**

## NEW INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | [illegible] life years | Coupon % | Price | Book runner | Offer yield % |
|---|---|---|---|---|---|---|---|
| US [illegible] | | | | | | | |
| Flash Ltd Series P(a)♦ | [illegible] | 1993 | 2½ | [illegible] | (a) | Sanwa Int. | - |
| 1999 Star Fin.NV(b)♦ | 340 | 2001 | 10 | [illegible] | 100 | Daiwa Europe | - |
| 1999 Star [illegible] | 50 | 2001 | [illegible] | [illegible] | 100 | Daiwa Europe | - |
| AUSTRALIAN DOLLARS | | | | | | | |
| [illegible] Aus.Int.Fin.♦ | 75 | 1994 | 4 | [illegible] | 101.95 | Barclays de Zoe.Wedd | 12.353 |
| [illegible] Lyonnais Aus.♦ | 75 | 1994 | [illegible] | [illegible] | [illegible] | [illegible] Bk | 12.435 |
| LUXEMBOURG FRANCS | | | | | | | |
| Banco di Roma London★★♦ | [illegible] | 1994 | 3 | 10⅛ | 102 | BGL | 9.501 |
| Credito Romagnolo Lux.★★♦ | [illegible] | 1994 | 4 | 10⅛ | 101.9 | Banque UCL | 9.532 |
| Delfined BV★★♦ | 600 | [illegible] | 8 | 10 | 101⅞ | BIL | 9.631 |
| GIB Brussels★★♦ | 750 | [illegible] | 6 | 10 | 102 | Credit Europeen | 9.547 |
| Banque Paribas♦ | 500 | 1996 | 6 | 10⅛ | 101.80 | Soc.Gen.Alsacienne | 9.760 |

♦Final terms. ★★Private placement. a)3-tranche issue: [illegible] 6-month Libor + 0.36%, issue price 100.10%. (B)$65m, 3-month Libor + 0.36%, 100.10%. (C)$7.5m, [illegible] 101½%. Non-callable. [illegible] step-up issue. Coupon pays 7½% for first 6 years, then 7¾% thereafter. Non-callable. Note: Yields are [illegible] on an AIBD [illegible]


To gain a foothold in difficult foreign markets, "buy-back" arrangements [illegible] frequently the only [illegible] open to exporters of plant and equipment. So before winning the contract you must first commit yourself to funding product purchases – only thus enabling the plant to be financed.

In challenging export markets, suppliers often become buyers.

BHF-BANK assists you here with its extensive experience in everything from consulting, organizing and financing buy-back deals, for instance, to putting you in touch with buyers. Through credit lines with foreign banks if the financing is [illegible] be supplied along with the exports. Through non-recourse financing when you, the exporter, wish to rule out the credit, currency and interest-rate risks. Through cross-border leasing, third-country financing and foreign guarantees.

[illegible] leading position in trade financing is only part of what it takes to make a bank a partner for the discerning export-oriented customer. Equally important [illegible] personal service and customized problem solutions – the style of [illegible] merchant bank, which BHF-BANK has cultivated for more than 100 years.

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*This announcement appears as a matter of record only.*

Chiquita

Chiquita Brands International, Inc.

3,335,800 Shares of Common Stock

Offer price U.S.$30⅝ per Share

*1,501,110 Shares have been purchased for distribution internationally by*

S.G. Warburg Securities

Lehman Brothers International — County NatWest Limited

Dresdner Bank Aktiengesellschaft — Merrill Lynch International Limited

Swiss Bank Corporation

ABN AMRO — Daiwa Europe Limited

MEDIOBANCA Banca di Credito Finanziario S.p.A. — Paribas Capital Markets Group

Prudential-Bache Capital Funding

*1,834,690 Shares have been purchased for distribution in the United States by*

Lehman Brothers

Merrill Lynch & Co.

Prudential-Bache Capital Funding

S.G. Warburg Securities

# THE WEEK AHEAD

ECONOMICS

## Gulf and thin markets inhibit trading activity

NEW YEAR lassitude and Gulf anxiety is likely [illegible] inhibit activity on the international financial markets this week.

Economists say that the lack [illegible] releases at the beginning of the month combined with [illegible] prospect of thin markets stretching into January will make for quiet trading on the equity and bond markets. Currencies though could be busy as [illegible] build-up to the January 15 deadline in the Gulf approaches.

Sterling is expected to stregthen further in the near-term after the UK government's [illegible] commitments not [illegible] devalue. The dollar [illegible] regain [illegible] its safe-haven [illegible] as the possibility of [illegible] mounts.

In [illegible] UK, [illegible] the government's other economic pledge – not to reduce interest [illegible] until [illegible] inflation is [illegible] – will [illegible] visible in the final retail [illegible] figures and [illegible] figures for November.

The [illegible] two [illegible] business data [illegible] revealed large [illegible] in outstanding [illegible] credit, of [illegible] in October, and [illegible] in September, causing some speculation that demand [illegible] strong.

In Germany, statistics [illegible] for release during [illegible] week will provide fresh clues [illegible] how much [illegible] may be overheating due to the [illegible] unleashed in [illegible] Germany [illegible] a [illegible] of unification. The data include the [illegible] balance for November, which the median market forecast compiled by MMS International, the financial [illegible], puts at DM8bn.

Other important [illegible] during [illegible] next [illegible] days [illegible] as [illegible]. The figures [illegible] brackets are [illegible] median market projections from MMS.

■ Today. UK: November final retail [illegible] (down [illegible] per cent); November credit business. Australia: October manufacturing output price index.

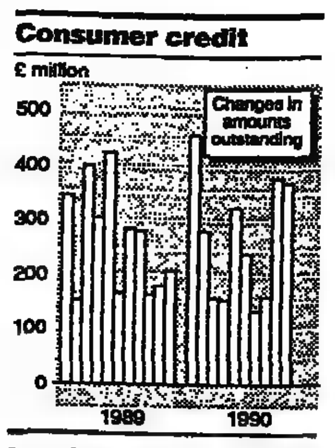
● Tuesday. US: Retailers' financial report for third quarter [illegible] November [illegible] sumer credit (1.5 per cent). [illegible] October leading indicators. Germany: December unemployment for western Germany (down 15,000).

■ Wednesday. Australia: November current account (A$1.2bn deficit, seasonally adjusted). Canada: November new vehicle sales.

■ Thursday. US: November wholesale figures; monetary supply data for final week in December. Canada: December housing starts index (135,000); [illegible] new housing price index and department [illegible] sales.

● Friday. US: [illegible] producer prices index (down 0.1 per cent); November housing completions. Canada: [illegible]ber unemployment [illegible] cent) and employment trend (down [illegible] per cent).

Also during the week Germany is due [illegible] announce [illegible] November retail sales, and Japan [illegible] trade balance.




**Rachel Johnson and Peter Marsh**

UK COMPANIES

Dixons, the electrical retailer, will probably do little to lift the depression embracing the retailing [illegible] when it announces its interim results [illegible] Wednesday.

Analysts are expecting pre-tax profits to fall by about 18 per cent [illegible] profits there are will derive from the group's financial services activities, interest receipts, and property development. The group's retailing activities in the UK are unlikely [illegible] contribute much although their performance will [illegible] anxiously scrutinised for their implications for other retailers [illegible] electrical goods.

Food retailing has generally proved [illegible] resistant [illegible]sion, but Asda, the Leeds-based [illegible] chain, looks [illegible] unveil a weak [illegible] of interim [illegible] on Wednesday. The group is still grappling to [illegible] grips with 60 [illegible] it bought from Gateway.

Overall, pre-tax profits [illegible] down from £83.5m to around [illegible] although the company's followers expect [illegible] strong pick-up in the second half.

The TSB Group becomes the first big clearing bank to report in the [illegible] Thursday, [illegible] results will [illegible] the sharp impact of the recession on bad debts. Sir Nicholas Goodison, the [illegible]man, warned [illegible] Christmas that the recession could be [illegible].

But [illegible] should also gain from the vigorous [illegible] on [illegible] which [illegible] now in full swing. Analysts [illegible] forecasting profits of [illegible] double last year's exceptionally [illegible].

While [illegible] marketing campaign [illegible] flotation of [illegible] electricity generators, [illegible] Power and PowerGen, gets underway next week, the 12 regional companies which [illegible] before Christmas will [illegible] be surfacing [illegible] of them are due [illegible] announce [illegible] months [illegible] end-September.

Like [illegible] Gas, the [illegible] bulk of their profits during the winter so it will [illegible] as no surprise [illegible] find that some or most of them were making a loss during the summer months. They [illegible] not paying interim dividends.

The announcements will, however, provide a chance [illegible] more [illegible] on [illegible] happened during [illegible] summer [illegible] the companies [illegible] privatised.

### UK COMPANIES

■ TODAY
[illegible]
Diploma, [illegible] Hotel, Liverpool [illegible] E.C., 11.00
[illegible]
Finals:
[illegible] (AG)
Murray Intl. Trust
Interims:
[illegible] Engineering
■ TOMORROW
[illegible] MEETINGS:
[illegible] (J.), [illegible] Shipley, [illegible] Court, Lothbury, E.C., 12.00
[illegible] MEETINGS-
Finals:
M & W
[illegible]
Interims:
[illegible]
[illegible] Electricity
[illegible] Durrant
Jurys [illegible]
[illegible] Security
■ WEDNESDAY JANUARY 9
COMPANY MEETINGS:
Fenner, Royal [illegible] Hotel, [illegible] York, 12.30
[illegible] MEETINGS-
Finals:
[illegible] Hldgs.
M. & [illegible] Trust
[illegible]
[illegible] (Sidney C.)
[illegible]
Dixons
[illegible] Electricity
[illegible] Electricity
[illegible] Electricity
■ [illegible] JANUARY 10
COMPANY MEETINGS:
Pegasus, 7 Birchin Lane, E.C., 2.30
Royal [illegible] of Scotland, [illegible] Hotel, Edinburgh, [illegible]
Young (H.) Hldgs., [illegible] Burlington Street, W., [illegible]
[illegible] MEETINGS-
Finals:
[illegible]
[illegible] Mall [illegible] Trust
Dewhurst
[illegible] Hldgs.
TSB
Torex Hire
Interims:
Abbey
Beaverco
[illegible] Electricity
Manweb
[illegible] Electricity
Pepe
Savills
Seeboard
SelecTV
■ FRIDAY JANUARY 11
[illegible] MEETINGS:
Ashley Group, [illegible] Park Lane, W., [illegible]
Save [illegible] Prosper Linked Inv. Trust, 1 Finsbury Avenue, E.C., 3.00
[illegible] MEETINGS-
Finals:
Daily [illegible] Trust
RMT
Interims:
[illegible]

*Company meetings are annual general meetings [illegible] stated.*

### DIVIDEND & INTEREST PAYMENTS

■ TODAY
ACT 1.25p
Abbey National [illegible] Rate Nts. 1993 £367.27
Amersham Intl. 3.7p
Birmingham Mint 2.5p
Burmah Castrol 3.5p
Centex Corp. 10cts.
[illegible] & Sherwood 0.1p
Clydesdale Inv. [illegible]
Ensign Tst. 1p
Ferrum Hldgs. 1p
GMAC, [illegible] 15¼% Nts. 5/1/94 7.625pc.
Guaranteed Export Finance 9¾% Gtd. Ln. Stk. 2010 4.875pc.
Guardian Royal Exchange 4.4p
House of Fraser [illegible] Mtg. Deb. Stk. 86/91 4pc.
Low (Wm.) 5.25p
M. & G. Fund of Inv. Tst. 4p
MMT Computing 2p
Mid-Sussex Water 4.9% Max Addl. Stk. 2.45p
Morgan [illegible] Prf. 3.75p
Murray [illegible] Mlds. Tst. 1.2p
[illegible] Moat [illegible] Prf.
3.5p.
River & Mercantile Tst. 1.6p
Scottish Metropolitan Property 4.22p
[illegible] 2.3p
[illegible] cts.
[illegible]
Warner Howard 1.75p
■ TOMORROW
Bailey (Ben) Con[illegible] 1.4p
Clayton, Son 2.5p
Havelock Europa 1.5p
Heath (C.E.) 7.5p
Inter-American Development Bank 12½% Ln. Stk. 2003 6.25pc.
Stocklake Hldgs. 9p
■ WEDNESDAY JANUARY 9
Bradford & Bingley Building Society Fltg. Rate Nts. 1998 £349.73
Friendly Hotels 2p
Henderson Administration 10p
■ THURSDAY JANUARY 10
Apollo Metals 8% Cnv. Prf. 4p
Bibby (J.) 6.25p
Great Portland Estates 3.4p
Morris (Philip) 43cts.
Treasury 11¾% [illegible]. 1991 5.875pc.
Wardle Storeys 11p
[illegible] 3.25p
■ FRIDAY JANUARY 11
Barlow Rand 118cts.
British Airways 2.8p
[illegible] 1.2p
Cropper [illegible]
[illegible] Interests [illegible]
Lep 2p
Macdonald Martin Dists. A [illegible] 2p
Do. B Ord. 1p
Marine Midland Fin NV Gtd. Fltg. [illegible] Nts. 1994 [illegible]
Parkland Textile 1.5p
Do. A NV 1.5p
Powerscreen Intl. 1.[illegible]
[illegible] Intl. 5p
Sainsbury (J.) 2.1p
Schlumberger 30cts.
TR Property Inv. Tst. 0.6p
[illegible]
Yale & Valor [illegible]
■ SATURDAY [illegible] 12
[illegible] 9½% Ln. 2001 4.75pc.
Do. [illegible] Ln. 2011 4.5pc.
Treasury [illegible] Cnv. [illegible] 5pc.

# APPOINTMENTS

## Senior posts at M&G

■ Mr David Morgan *(pictured)* will be appointed an additional director of M&G GROUP on January 16. Mr Morgan, who has been an investment manager with the group since 1972, will also be appointed managing director of M&G Investment Management. Mr Tony Shearer, group finance director, will be appointed managing director of M&G Securities. Mr Paddy Linaker, group managing director, remains chairman of both these subsidiaries.

■ LONDON ARAB INVESTMENT BANK has appointed Mr Costi F. Chehlaoui as chairman and chief executive officer. He was executive vice president of Gulf Bank International, working in New York, Bahrain, and London. Mr J.R.H. James, general manager, has retired.

■ MARLING INDUSTRIES has appointed Mr Edward Greenbury as a non-executive director. He was managing partner in Hacker Young.

■ Mr Michael Wells has been [illegible] and chief executive of YAMAICHI BANK (U.K.), following the retirement of Mr Peter Bulfield who continues as a [illegible] deputy chairman.

■ MATTHEW CLARK AND SONS (HOLDINGS), Guildford, [illegible] appointed Mr Tim Hazell as group sales director, replacing Mr Robin Walters who retires at the end of this month. Mr Hazell was sales director (UK and Europe) at Beamish & [illegible].

Miss Victoria Logue *(pictured)* has been appointed finance director of GALLAHER TOBACCO (UK). She is the first woman [illegible] on the board. Miss Logue, who joined the company in 1986, was general manager.

■ Mr Alan Hancock has been appointed chief executive of SUNLEIGH, a leisure products group which includes PowaKaddy and Sporting Choice. He was president of worldwide operations for Wilkinson Sword, and succeeds Mr Bill Wood who has retired.

■ BOOKER has named Mr James Nelson as president of Arbor Acres Farm, its US-based chicken breeding subsidiary. Formerly senior vice president for international [illegible] Mr Lowell Hoskins, [illegible] main [illegible] and a 17-year [illegible] of Arbor Acres, who died on [illegible] Mr Bruce Parker [illegible] Arbor [illegible] president.

■ [illegible] INVESTMENTS [illegible] apppointed Mr Jonathan Cartwright [illegible] director. [illegible] secretary.

■ Ms Jennifer Ryan has been appointed managing director [illegible] Ice, [illegible] and and temperature controlled transport subsidiary of TRANSPORT DEVELOPMENT GROUP. She was with UB (Ross Young's) [illegible] was distribution director.

LITTLE TIKES, based in Hudson, Ohio, has appointed Mr Seamus Bateson *(pictured)* as managing director, European sales and marketing. He was export and European area director, Tonka.

■ SUN ALLIANCE GROUP has appointed Mr Graeme E. Gilchrist to the board. He is deputy chairman and managing director of The [illegible]nion Discount Company of London. Mr Gilchrist also joins the boards [illegible] principal subsidiary Sun Alliance and [illegible]

# CONSTRUCTION [illegible]

## Greenford offices scheme

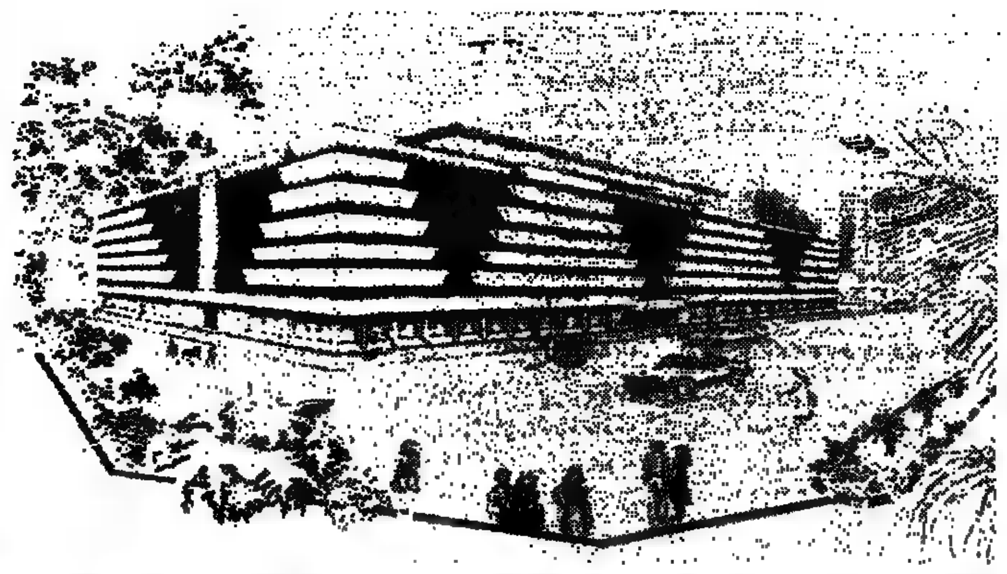
JOHN LELLIOTT (CONTRACTS), the part of John Lelliott Group [illegible] recently completed the £6m refurbishment of Glaxo Holdings' corporate headquarters in London, has been awarded [illegible] second contract by the international pharmaceutical group.

The latest contract is a £13.5m project [illegible] Glaxo's [illegible]plex in Greenford, Middlesex involving the construction of a three-storey atrium block linking two buildings and the refurbishment of 100,000 sq ft of office and computer space.

In addition a two-storey car park will be built on the site to provide 350 additional parking [illegible].

Work [illegible] due [illegible] start in January 1991 for completion in August 1991.

## Building apartments in Abu Dhabi



**Abu Dhabi-based AL WIMPEY ROADS AND CONSTRUCTION has won [illegible] £6.5m contract to build an apartment block *(pictured)* for His Excellency Sheikh Tahnoon BinSaeed Al Nahiyan. The building is in a prime location on the Abu Dhabi sea front on [illegible] plot measuring 80 by 30 metres. Ground level car parking is provided under the the superstructure, which comprises six floors of three and four bedroom apartments topped by [illegible] health club including swimming pool, jacuzzi, sauna, squash court and gymnasium. The project is scheduled for completion in March 1992.**

## Exhibition projects in Seville

TRAFALGAR HOUSE CONSTRUCTION MANAGEMENT, [illegible] member of the con[illegible] division [illegible] Trafalgar House, [illegible] won [illegible] third con[illegible] for Expo '92 in Seville.

Following [illegible] award [illegible] £14m management [illegible] for [illegible] the tubular [illegible] glass UK pavilion, [illegible] Department [illegible] Trade [illegible] Industry [illegible] THCM a £6m [illegible] fit [illegible] the interior.

In November, [illegible] was the [illegible] international participants [illegible] above-ground [illegible] its pavilion which the company believes will become a technological feature covering some 6,000 sq metres of the exhibition's site.

THCM has also been [illegible] project [illegible] under a [illegible] valued [illegible] £3m, by Multi Development Corporation, the main contractor for the design and construction of the Dutch pavilion.

## Housing European Community staff

Workers from [illegible] Tarmac [illegible] have been given [illegible] job [illegible] putting [illegible] roof [illegible] the [illegible] of European officials in Brussels.

It is one of three roofing contracts, worth about £7m, awarded [illegible] ALBITUM - the Belgian roofing contractor - which is part of [illegible] industrial products [illegible] European waterproofing group.

In Brussels work has [illegible] on building what is believed to be the largest office building currently under construction in Belgium for [illegible] Council of the European Communities.

The building will house an underground car park, printing shop, [illegible] facilities, secretariat and translation services.

Albitum's [illegible] valued at £3.2m, includes 40,000 [illegible] metres of roofing, insulation and [illegible] provision [illegible] a helicopter landing pad.

Work starts early next year and is due for completion in 1993.

[illegible] Genk the [illegible] contract for 80,000 [illegible] metres [illegible] roofing and 28,000 [illegible] metres of wall cladding on extensions [illegible] a Ford plant.

ENGINEERING
[illegible] CONSTRUCTION
•
MINING
•
HOUSING
•
PROPERTY
COSTAIN
COSTAIN GROUP PLC

## £23m orders for Willmott Dixon Group

WILLMOTT DIXON [illegible] been awarded contracts worth £23m. Wilmott Dixon Design & Build has [illegible] on three projects with [illegible] combined value of more than £8m.

They are a £5.2m contract for the design and construction of five office [illegible] Beaufort Business Park in Stroud, Kent for East Mercia Developments; [illegible] £1.25m contract from Sims for the design and construction of a two-storey office headquar[illegible] the Priory Business [illegible] in Bedford; and a £1.8m [illegible] build contract for offices and workshops [illegible] Bar on behalf [illegible] Venta Services [illegible] Bar.

Wilmott Dixon Housing has [illegible] work on [illegible] contracts, [illegible] for local authorities and one for [illegible] housing [illegible]tion. They include [illegible] for [illegible] for the Metropolitan Housing Association [illegible] Daubeney Fields, Haringey N17 and a £1.5m contract [illegible] build 31 houses for Spelthorne Borough [illegible] Ashford.

Wilmott [illegible] Anglia has [illegible] projects from local authorities. [illegible] contract, worth £5.4m, involves [illegible]sions, alterations and refurbishments [illegible] Hinchingbrooke School, Huntingdon for Cambridgeshire County Council. The other, worth £1.25m, is for the modernisation of 89 council houses in Norwich.

* * *

New contracts valued at £3.31m have been won by [illegible] construction division [illegible] EVE GROUP.

Heading the list [illegible] £1.04m [illegible] London [illegible] for [illegible] Metropolitan Police [illegible] Naval Row, E14. The contract is expected [illegible] take one year to complete.

[illegible] is also constructing an exhibition centre and laborato[illegible] for Imperial College at Exhibition Road [illegible] London in a 22-week project.


# TRADE FAIRS, EXHIBITIONS & CONFERENCES

## CONFERENCES

**JANUARY 24**
ACQUIRING IN GERMANY.
Inn [illegible] Park Hotel, [illegible] Lane, London W1. A comprehensive guide [illegible] the [illegible] in the unified Germany. Sponsored by Coopers [illegible] Lybrand [illegible] and [illegible] Lecham Partnership. Contact FIBEX Tel: 071-489 [illegible] Fax: 071-236 6140
[illegible]

**FEBRUARY 26 [illegible] 27**
Cable [illegible] and Satellite Broadcasting.
Hotel InterContinental, London
Enquiries: Financial Times Conference Organisation
Tel: 071-925 2323
Fax: 071 925 2125
LONDON

**JANUARY 29**
FINANCING COMMERCIAL PROPERTY CREATIVELY - THE LATEST INNOVATIONS.
2-5pm, Olympia 2. One of 12 mini-conferences running alongside The 1991 Property Business Show.
Contact: Beverley Barrell.
Tel: 081-868 [illegible]
LONDON

**FEBRUARY 28**
Gas [illegible] in Britain and Europe - Supplies: Transmission [illegible] Regulation.
Speakers include Maters, European Commission, Alcock, British Gas, Ellis, Kinetica. London Press Centre.
Contact: Frances Quinn, Public issue Conferences.
Tel: 071 537 3773.
Fax: 071 537 3293
LONDON

**JANUARY 31**
[illegible] TAX SEMINAR
Tax planning for multinationals with Swiss [illegible] Arranged by Price Waterhouse, guest speaker - Chief Tax Inspector from Swiss International Division.
Contact: Peter Riedweg
071-939 8259
LONDON

**MARCH 4**
London [illegible] Conference.
Hotel Intercontinental,London
Enquiries Financial Times Conference Organisation
Tel: 071-925 2323
Fax 071-925 2125
LONDON

**FEBRUARY [illegible]**
Launch of EIS -EPIC for UNIX.
EIS-EPIC is Europe's leading DOS based Executive Information System. Heathrow Penta Hotel. Contact: Tiffany Carr, Planning Sciences plc.
Tel: 081 879 3828
Fax: [illegible] 944 1604
LONDON

**MARCH 6 & 7**
The European Water Industry.
Hotel Intercontinental, London
Enquiries Financial Times Conference Organisation
Tel: 071-925 2323
Fax 071-925 2125
LONDON

**FEBRUARY 13 [illegible] 14**
International Banking
Hotel InterContinental, London
Enquiries: Financial Times Conference Organisation
Tel: 071-925 2323
Fax: 071-925 2125
LONDON

**MARCH 11-12**
Conditions For Investment in Central and Eastern Europe.
Brittanic Tower, Moor Lane, London EC2Y 9BU.
Contact. ICC United Kingdom.
Tel: 071 823 2811.
Fax: 071 235 5447
LONDON

**FEBRUARY 18 & 19**
European Insurance Forum.
Hotel InterContinental London
Enquiries Financial Times Conference Organisation
Tel: 071-925 2323
Fax: 071-925 2125
LONDON

**MARCH 12 [illegible] 13**
The European Food [illegible] Drink Industry in the 90s
Hotel Intercontinental, London
Enquiries: Financial Times Conference Organisation
Tel: 071-925 2323
Fax 071 925 2125
LONDON

To advertise in this [illegible] please telephone

# CONTRACTS & TENDERS

**HERACLES GENERAL CEMENT CO.**
**[illegible] FOR TENDERS**

HERACLES GENERAL CEMENT CO of Athens, Greece is interested in procuring 360,000 tonnes (+ or - 10%) of Steam Coal, and 60,000 [illegible] (+ or - 10%) of Petroleum Coke.

For details regarding terms and conditions, quality, [illegible] etc. please contact:

Mr [illegible] Chrissohou, Manager, [illegible] Energy Dept.
HERACLES GENERAL CEMENT CO. S.A.
[illegible] Soph. Venizelou St.
[illegible] - 141 23 Lycovrissi, Attica, [illegible]
Tel (01) 2898487 & [illegible] Telex (0[illegible]) 5168-9 AGET [illegible]
Fax: (01) [illegible]

[illegible] Last day for submission of tenders is 24th January, [illegible]

**LONDON BOROUGH [illegible] WALTHAM FOREST**

**AN INVITATION [illegible] TENDER FOR TWO MULTIUSER COMPUTER SYSTEMS FOR THE SOCIAL [illegible] DEPARTMENT AND CHIEF EXECUTIVE'S DEPARTMENT**

Tenders [illegible] the supply of two Unix servers with minimum 300 [illegible] supporting OSI standard, X.25 [illegible]
To be capable [illegible] running SCO Unix, Uniplex [illegible] 7 (16 [illegible] more users), and Dataflex (4 or more users).
Suppliers wishing [illegible] be [illegible] for inclusion on the list of tenderers, or requiring [illegible] information, [illegible] write, by [illegible] later than [illegible] January 1991, to
The Chief Executive,
[illegible] Borough of Waltham Forest,
[illegible] Road,
Walthamstow, [illegible]
[illegible] your applications "For [illegible] Purchasing Manager".
The Fax number, if required, [illegible] 081 527 [illegible]

# PUBLIC NOTICES

MONOPOLIES AND MERGERS COMMISSION

**MMC INVITES EVIDENCE ON THE ACQUISITION OF CERTAIN BUSINESS OF MANVILLE CORPORATE BY THE MORGAN CRUCIBLE COMPANY PLC.**

The Monopolies [illegible] Mergers [illegible] been [illegible] inquire [illegible] the acquisition by The [illegible]rgan Crucible Company plc of certain businesses of the Manville Corporation. The [illegible] would like [illegible] hear [illegible] person with [illegible] or [illegible] on this acquisition.

The [illegible] will in particular by studying the possible effects of this acquisition on competition [illegible] United Kingdom [illegible] refractory ceramic fibre, and will examine whether [illegible] acquisition [illegible] expected [illegible] operate against the public [illegible].

The Commission would like evidence in writing by 25 January [illegible] to [illegible] sent to: The Reference Secretary (Morgan/Manville), Monopolies [illegible] Mergers Commission, New Court, 4 Carey Street, London WC2A 2JT.

# COMPANY NOTICES

**LEUMI INTERNATIONAL INVESTMENTS [illegible]**
US $60,000,000 GUARANTEED FLOATING RATES NOTES [illegible]
The [illegible] applicable to the [illegible] in respect of the six month period commencing Tuesday 11th December 1990 has been fixed at 8¼% per annum. The interest amounting to US $41.06 per US $1,000 principal amount of the Notes will be paid on Tuesday 11th June 1991 against presentation of coupon No. [illegible]
BANK LEUMI TRUST [illegible] OF NEW YORK
Principal Paying Agent
bank leumi בנק לאומי

**QUEBEC CENTRAL RAILWAY COMPANY 4% FIRST MORTGAGE DEBENTURE STOCK**
In preparation for the payment of the half yearly interest due February 1 1991 on the above stock, [illegible] transfer books will be closed at 3.30 p.m. on January 11 [illegible] and will [illegible] opened [illegible] January 21 1991.
[illegible] Keast
[illegible] Secretary.
62-65 Trafalgar Square,
London, WC2N 5DY.

# LEGAL [illegible]OTICES

**HAYES SHELL-CAST LIMITED**
Registered number: 222440
Nature [illegible] and Engineering
[illegible] classification: [illegible]
Date of appointment of [illegible] receivers: [illegible] December 1990
[illegible] persons [illegible]
Grosvenor [illegible] Fund and [illegible] Grosvenor Fund
IAN NAPIER CARRUTHERS
Administrative Receiver
(Office holder no 814)
Cork Gully
43 Temple [illegible]
Birmingham
B2 5JT

**[illegible] PLC**
Registered number: 266741
Nature of business: Co-ordination of Group [illegible]
Trade classification: 37
Date of appointment of joint [illegible] receivers: 20 [illegible] 1990
Name of person appointing the joint administrative receivers: State Bank of New South Wales Limited
C J Hughes and J F Powell
Joint Administrative Receivers
(Office holder nos 2041 and 2686)
Cork Gully
Shelley House
3 Noble Street
London EC2V 7DQ

**ALDERMAN SECURITIES GROUP LIMITED**
[illegible]
Nature of business: Holding Company
Trade classification: 38
Date of appointment of joint administrative receivers: 20 December 1990
Name of person appointing the joint administrative receivers: State Bank of New South Wales Limited
C J Hughes and J F Powell
Joint Administrative Receivers
(Office holder nos 2041 and 2686)
Cork Gully
Shelly House
3 Noble Street
London EC2V 7DQ

**MILLGATE INVESTMENTS LIMITED**
Registered No: [illegible]
Trading name: Millgate Investments Limited
Trade classification: 48
Name and address of joint administrative receivers.
David John Stokes and Christopher John Hughes, Cork Gully, 1 East Parade, Sheffield, S1 2ET
Office holder numbers 2882 and 2041
Date of appointment: 19 December 1990
Name of appointer: National Westminster Bank PLC

# RENTALS

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# CLUBS

EVE has [illegible] others because of a policy on fair play and value for money. Supper from 10-3.30 am Disco and top musicians,


هكرامن الأصل

# WORLD STOCK MARKETS

## AUSTRIA

| 1990-91 High | Low | January 4 | Price Sch. |
|---|---|---|---|
| 5,430 | 2,100 | Austrian Airlines | 2,610 |
| 7,300 | 3,000 | Creditanstalt | 3,050 |
| 29,590 | 16,550 | Erste Allgemeine | 19,000 |
| 19,600 | 7,500 | Jungbunzlauer | 7,750 |
| 4,450 | 660 | Laenderbank | 1,370 |
| 14,230 | 8,000 | OeMV | 8,550 |
| 2,380 | 1,330 | Perlmooser | 1,330 |
| 1,400 | 670 | Radex | 674 |
| 3,400 | 1,460 | Reininghaus | 1,640 |
| 250 | 115 | Steyr-Daimler | 169 |
| 1,510 | 595 | Veitscher Mag | 616 |
| 770 | 425 | Verbund (Br) A | 482 |
| 7,580 | 4,100 | Wienerberger | 4,750 |

## BELGIUM/LUXEMBOURG

| 1990-91 High | Low | January 4 | Price Frs. |
|---|---|---|---|
| 5,370 | [illegible] | ACEC-Union Min | 2,405 |
| 5,750 | [illegible] | Arbed | 2,955 |
| 3,520 | [illegible] | B.B.L | 2,370 |
| 15,700 | [illegible] | Bank Intl. a Lux | 13,000 |
| 15,000 | [illegible] | Banque Gen. Du Lux | 12,750 |
| 2,470 | [illegible] | Barco | 1,108 |
| 16,650 | [illegible] | Bekaert | 7,350 |
| 9,900 | [illegible] | Ciment CBR | 5,720 |
| 5,990 | [illegible] | Cobepa | 4,810 |
| 8,030 | 4,630 | Do. AFV 1 | 4,810 |
| 214 | [illegible] | Cockerill | 135 |
| 2,970 | [illegible] | Colruyt | 2,575 |
| 6,920 | [illegible] | Delhaize | 5,720 |
| 4,560 | [illegible] | Electrabel | 4,250 |
| 4,490 | [illegible] | Do. AFV 1 | 4,200 |
| 7,490 | [illegible] | Electrafina | 6,120 |

[illegible]

## FRANCE (continued)

| 1990-91 High | Low | January 4 | Price Frs. |
|---|---|---|---|
| 935 | 577 | Beghin-Say | 578 |
| 685 | 480 | Do Certs | 569 |
| 3,480 | 2,180 | Bongrain | 2,275 |
| 683 | 369 | Bouygues | 440 |
| 726 | 352.2 | CFAO | 381.5 |
| 1,534 | 782 | CGIP | 800 |
| 235 | 96 | CMB Packaging | 101 |
| 993 | 766 | Canal+ | 850 |
| 3,780 | 3,065 | Carrefour | 3,331 |
| 215 | 108 | Casino | 129.6 |
| 649 | 324 | Cetelem | 468 |
| 1,376 | 638 | Chargeurs | 675 |
| 1,813 | 900 | Ciments Fr. | 916 |
| 788 | 382 | Club Mediterranee | 448.1 |
| 486 | 349 | Cogifi | 365 |
| 771 | 343 | Coparex | 560 |
| 262.8 | 141.2 | CCF | 150.1 |
| 1,420 | 822 | Cred Foncier Fr | 830 |
| 898 | 501 | Cred Lyonn (CI) | 536 |
| 1,591 | 861 | Credit National | 994 |
| 4,330 | 1,741 | Damart | 1,785 |
| 5,770 | 2,870 | Docks de France | 3,830 |
| 643 | 288 | Dollfus-Mieg | 294 |
| 2,750 | 1,992 | Eaux (Cie Gen) | 2,182 |
| 620 | 264.9 | Ecco | 274.5 |
| 365 | 255 | Elf-Aquitaine | 279.3 |
| 262 | 203 | Do. Certs | 206.5 |
| 1,400 | 872 | Epeda-Bertrand | 895 |
| 604 | 250.1 | Essilor | 298.1 |
| 2,515 | 1,351 | Etex | 1,421 |
| [illegible] | 1,261 | Eurafrance | 1,310 |
| [illegible] | 637 | Eurocom | 660 |
| [illegible] | 75.7 | Euro Disneyland | 94.6 |
| [illegible] | 2,930 | Euromarche | 3,249 |
| [illegible] | 1,119 | Exor | 1,135 |

[illegible]

## GERMANY (continued)

[illegible]

## ITALY (continued)

[illegible]

## NETHERLANDS

[illegible]

## SWEDEN

[illegible]

## SWITZERLAND

[illegible]

## NORWAY

[illegible]

## SPAIN

[illegible]

## SOUTH AFRICA

[illegible]

## DENMARK

[illegible]

## FINLAND

[illegible]

## ITALY

[illegible]

## GERMANY

[illegible]

## FRANCE

[illegible]

## JAPAN

[illegible]

## AUSTRALIA

[illegible]

## HONG KONG

[illegible]

## MALAYSIA

[illegible]

## SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

## CANADA

### TORONTO
Closing prices January 4

[illegible]

### MONTREAL
Closing prices January 4

[illegible]

## INDICES

### NEW YORK
DOW JONES

[illegible]

### NEW YORK ACTIVE STOCKS

[illegible]

### TRADING ACTIVITY

[illegible]

### CANADA
TORONTO

[illegible]

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

[illegible]

‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

### TOKYO - Most Active Stocks
Friday January 4

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Nippon Steel | [illegible] | 458 | +11 | Marubeni | 2.2 | 691 | +31 |
| C. Itoh | 3.5 | 697 | +62 | NKK | 2.1 | 404 | +3 |
| Mitsubishi Heavy | 3.2 | 685 | +17 | Sanyo Electric | 1.9 | 567 | -31 |
| Sumitomo Electric | [illegible] | 1,430 | +40 | Mitsui & Co. | 1.9 | 792 | +24 |
| Showa Denko | 2.4 | 515 | +25 | Mitsui Shipbuilding | 1.7 | 548 | +23 |


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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER


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57 Victoria Square, Bolton, BL1 1LA 0204 364842

| | | | | | | |
|---|---|---|---|---|---|---|
| Managed Tst | 5 | 46.62 | 47.00 | 50.00 | 5.20 | 46889 |

**Martin Currie Unit Trusts Ltd (0905)H**
48 Melville St, Edinburgh EH3 7HF Dlgs 031-220 4924

| | | | | | | |
|---|---|---|---|---|---|---|
| Far East (Pacific) | 5¼ | 75.52 | 75.52 | 80.16 | 0.53 | 41757 |
| Income & Growth | 5¼ | 51.38 | 51.38 | 54.54 | 5.89 | 41358 |
| European | 5¼ | 48.22 | 48.22 | 51.18 | 1.15 | 41359 |
| Nth American | 5¼ | 29.29 | 29.29 | 31.09 | 1.69 | 41360 |
| Intl Growth | 5¼ | 49.43 | 50.52 | 53.63 | 0.94 | 41361 |
| UK Growth | 5¼ | 45.87 | 45.87 | 48.69 | 3.55 | 41362 |
| Intl Income | 5¼ | 40.78 | 41.28xd | 43.82 | 7.41 | 46966 |
| High Yield | 5¼ | 39.49 | 40.03xd | 42.49 | 8.66 | 46965 |
| Charities | 5¼ | 79.36 | 80.48 | 85.43 | 7.16 | 46963 |
| Japan | 5¼ | 32.70 | 32.70 | 34.71 | – | 47589 |

**Matheson Unit Trust Managers Ltd (1200)H**
Admin 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

| | | | | | | |
|---|---|---|---|---|---|---|
| UK Growth (4-1) | 6 | 57.93 | 57.93 | 61.96 | 3.99 | 46355 |
| UK High Income | 6 | 30.35 | 30.35 | 32.46 | 6.22 | 46356 |

**NFU Mutual Unit Mngrs Ltd (1400)F**
Admin 5 Rayleigh Road, Hutton, Brentwood
Enquiries 0277 227300

**NM Unit Trust Mngrs (1200)H**
The Bilton Centre, North Harbour, Portsmouth
Enquiries 0705 372222

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

# FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

TSB Unit Trusts (1200)H

M & G Securities Ltd

MIM Ltd

Morgan Grenfell Unit Trust Managers Ltd

Allied Dunbar Assurance Plc – Contd.

of Westminster Assurance (z)

Eagle Star Insur./ Assur.

Economic Insurance Company Ltd

Royal Exchange – Contd.

Liberty Life Assurance Co Ltd

The Life Association of Scotland

Merchant Investors Assurance Co Ltd – Contd.

## INSURANCES

## OTHER UK UNIT TRUSTS

# FT MANAGED FUNDS SERVICE

■ For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| **N & P Life Assurance Ltd** | | | | |
| 6-7 Bedford Row, London, WC1R 4UJ 071-430 2348 | | | | |
| Life Managed Fd | 89 9 | 94 6 | – | 41924 |
| Pension Managed Fd. | 86 0 | 90 5 | – | 41926 |
| Life Deposit Fd. | 103 4 | 108 9 | – | 41923 |
| Pension Deposit Fd | 107 0 | 112.6 | – | 41925 |
| **National Financial Management Corp PLC** | | | | |
| 72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539 | | | | |
| Life Funds | | | | |
| Managed Cautionary | 97 4 | 102.6 | – | 47150 |
| Managed Growth | 117 8 | 124.1 | – | 47151 |
| Managed Opportunity | 113 8 | 119 8 | – | 47152 |
| NFMC Target Financial | 86 4 | 91 | – | 47153 |
| Pension Funds | | | | |
| Managed Cautionary | 105.6 | 111.2 | – | 47154 |
| Managed Growth | 125 4 | 132 | – | 47155 |
| Managed Opportunity | 117 5 | 123 7 | – | 47156 |
| NFMC Target Mngd Pen. | 1320 3 | 1389 8 | – | 47157 |
| **National Mutual Life** | | | | |
| The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422 | | | | |
| Harvester Pension Funds | | | | |
| Managed | 141 5 | 149 0 | – | 43141 |
| UK Equity | 147.3 | 155.1 | – | 43135 |
| Overseas Equity | 112 2 | 118 2 | – | 43136 |
| Fixed Interest | 133 6 | 140.7 | – | 43137 |
| Property | 126.8 | 133.5 | – | 43138 |
| Index Linked | 143.1 | 150 7 | – | 43139 |
| Deposit | 148 3 | 156.2 | – | 43140 |
| With Profits (B) | 124 5 | 131.1 | – | 44128 |
| **National Provident Institution** | | | | |
| 48 Gracechurch St, London EC3P 3HH 071-623 4200 | | | | |
| Managed | 306 3 | 322 5 | – | 43163 |
| UK Equity | 383 7 | 403 9 | – | 43164 |
| Overseas Eq. | 286 1 | 301.2 | – | 43165 |
| Americas | 214 9 | 226 3 | – | 43166 |
| Far East | 291 6 | 307 0 | – | 43167 |
| Property | 193 3 | 203 5 | – | 43168 |
| Fixed Int. | 243 6 | 256 5 | – | 43169 |
| Indexed Gilt | 149.8 | 157 7 | – | 43170 |
| Deposit | 174 7 | 183 9 | – | 43171 |

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| **Prosperity Life Assurance Ltd** | | | | |
| 1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555 | | | | |
| Initial Equity | 137 5 | 145.5 | – | 42995 |
| Accum Equity | 194 0 | 204 5 | – | 43005 |
| Accum Managed | 198 0 | 209 0 | – | 43006 |
| Accum Five Star | 148 5 | 157 0 | – | 43011 |
| Accum World | 106 5 | 113 0 | – | 43013 |
| Accum Lifetime | 100 6 | 100 6 | – | 47139 |
| Pens Acc Equity | 202 5 | 213 5 | – | 43025 |
| Pens Acc Managed | 234 0 | 247 0 | – | 43026 |
| Pens Acc Intl. | 166 0 | 175.5 | – | 43027 |
| Pens Acc Deposit | 189 0 | 199 5 | – | 43029 |
| Pens Acc Five Star | 156 5 | 166.0 | – | 43031 |
| **Providence Capitol Life Assc. Co Ltd** | | | | |
| 2 Bartley Way Hook, Hants RG27 9XA 0256 768888 | | | | |
| UK Equity Acc. | 196 3 | 207 1 | – | 43411 |
| UK Fixed Int Acc | 165 2 | 174 3 | – | 43412 |
| Intl Equities Acc | 147 7 | 155 9 | – | 43413 |
| UK Managed Acc | 155 2 | 163 7 | – | 43414 |
| Property Acc | 223 7 | 236 0 | – | 43415 |
| Money Acc. | [illegible] | 131 3 | – | 43416 |
| Special Market Acc. | [illegible] | 125 9 | – | 43417 |
| Japan Equity Acc | 87 2 | 92 0 | – | 46760 |
| North American Acc. | 82.1 | 86 7 | – | 43419 |
| Pacific Acc | 73.2 | 77 3 | – | 43420 |
| Technology Acc | 92 3 | 97 4 | – | 43421 |
| Nat Resources Acc | 53 0 | 56.0 | – | 43422 |
| European Acc. | 89 3 | 94 3 | – | 43424 |
| Residential Prop Acc | 95 9 | 101 2 | – | 43425 |
| Swiss Equities Acc | 30 6 | 32 3 | – | 43426 |
| Hong Kong Acc. | 46.3 | 48 8 | – | 43427 |
| UK High Inc Eq Acc | 63 4 | 66 9 | – | 43428 |
| Int Fixed Interest Acc | 53 3 | 56.3 | – | 46406 |
| Int Managed Acc | 49 8 | 52 5 | – | 46407 |
| HIP Managed Acc | 98 9 | 104 3 | – | 46731 |
| HIP Managed II Acc | 87 1 | 91 8 | – | 41928 |
| Total Investment Bond | | | | |
| UK Equity Initial | | 134 3 | – | 43429 |
| UK Fixed Int Initial | | 113 2 | – | 43430 |
| Intl Equities Initial | | 100 5 | – | 43431 |
| UK Managed Initial | | 106 3 | – | 43432 |
| Property Initial | | 154 3 | – | 43433 |
| Money Initial | | 85 6 | – | 43434 |
| Special Market Initial | | 93.2 | – | 43435 |
| Japan Equity Initial | | 68.1 | – | 46762 |
| North American Initial | | 64 1 | – | 43437 |
| Pacific Initial | | 57 2 | – | 43438 |

[illegible]

## OFFSHORE INSURANCES

## MANAGEMENT SERVICES

## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

### CANADA (SIB RECOGNISED)

### GUERNSEY (SIB RECOGNISED)

### GUERNSEY (REGULATED)

[illegible]

هكرامن الأصل

# FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT.

## IRELAND (SIB RECOGNISED)

## IRELAND (REGULATED)(**)

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)(**)

## JERSEY (SIB RECOGNISED)

## JERSEY (REGULATED)(**)

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

هكذا من الأصل

# CURRENCIES, MONEY AND CAPITAL MARKETS

## MONEY MARKETS

# War fears dominate

THIS is clearly not the [illegible] to think about taking out positions [illegible] the currency market. The build up of trading has been slow after the holiday period, and it would be unrealistic in th[illegible] extreme [illegible] believe that any lasting trend [illegible] be established before a peaceful settlement of the Gulf crisis, or an all out war, now that we are within nine days of [illegible] United Nations deadline.

**UK clearing bank base lending rate 14 per cent from October 8, 1990**

If attempts at [illegible] peaceful settlement [illegible] nothing the financial market will [illegible] increasingly nervous as the deadline [illegible] Iraqi withdrawal from Kuwait approaches. Subsequent events will then decide the direction [illegible] the markets, [illegible] it is impossible [illegible] speculate [illegible] of any conflict.

What can be [illegible] with some certainty is that demand for [illegible] dollar [illegible] at [illegible] of rising world tension. Any outbreak of hostilities would almost certainly send the dollar higher. This reflects the fact that the US mainland is not under threat of physical attack, the country is to a large extent self sufficient [illegible] is also an oil producer. A [illegible] difficult prediction involves the impact on the dollar from [illegible] peaceful solution to the crisis.

Initially the currency is likely to fall, as [illegible] market con[illegible] on the weak US economy, but after a steady decline throughout the second half of last year the point may [illegible] getting near where [illegible] dollar will find [illegible] floor. During 1990 it fell 17.4 per cent against the Swiss franc; [illegible] per [illegible] against sterling; 11.6 [illegible] against the D-Mark; and 5.6 per [illegible] against the yen.

Some months [illegible] a [illegible] in [illegible] bank prime rates, [illegible] very [illegible] National Association of Purchasing Managers index, a record [illegible] in factory [illegible] and rising unemployment, [illegible] hit the the [illegible] hard, but [illegible] there was little [illegible] news.

### [illegible] NEW YORK

| Jan.4 | Close | Previous Close |
|---|---|---|
| £ Spot | 1.9345-1.9355 | 1.9460-1.9470 |
| 1 month | 1.09-1.08pm | 1.10-1.08pm |
| 3 months | 2.98-2.96pm | 3.05-3.02pm |
| 12 months | 9.33-9.26pm | 9.44-9.34pm |

Forward premiums and discounts apply to the US dollar

### CURRENCY MOVEMENTS

| Jan 4 | Bank of England Index | Morgan** Guaranty Changes % |
|---|---|---|
| Sterling | 94.2 | -18.4 |
| U S Dollar | 61.2 | -18.3 |
| Canadian Dollar | 102.6 | +0.6 |
| Austrian Schilling | 110.5 | +12.5 |
| Belgian Franc | 112.4 | -1.5 |
| Danish Krone | 111.0 | +5.3 |
| D-Mark | 120.7 | +26.4 |
| Swiss Franc | 115.6 | +24.0 |
| Dutch Guilder | 115.5 | +17.1 |
| French Franc | 105.0 | -11.7 |
| Lira | 100.1 | -19.2 |
| Yen | 130.1 | +65.4 |

Morgan Guaranty [illegible] average 1980-1982=100. Bank of [illegible] Index [illegible] Average 1985=100 **[illegible]

### POUND-$ (FOREIGN EXCHANGE)

Spot 1.9335 [illegible]

### [illegible]-STERLING $ per £

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Mar | 1.9116 | 1.9280 | 1.9066 | 1.9256 |
| Jun | 1.8864 | 1.9010 | 1.8820 | 1.9004 |
| Sep | 1.8648 | 1.8670 | [illegible] | 1.8788 |

### POUND SPOT - FORWARD AGAINST THE POUND

| Jan 4 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.9315 - 1.9515 | 1.9330 - 1.9340 | 1.09-1.07cpm | [illegible].70 | 3.00-2.97pm | 6.18 |
| Canada | 2.2245 - 2.2450 | 2.2245 - 2.2255 | 0.57-0.50cpm | [illegible] | 1.50-1.36pm | 2.57 |
| Netherlands | 3.2775 - 3.2900 | 3.2800 - 3.2900 | 1⅛-1¼cpm | [illegible] | 3⅛-3¼pm | 3.96 |
| Belgium | 59.70 - 60.25 | 59.90 - 60.00 | 29-17cpm | 4.00 | 58-51pm | 3.64 |
| Denmark | 11.1765 - 11.2165 | 11.1900 - 11.2000 | 3¾-3¾orepm | 3.82 | 9⅞-8½pm | 3.19 |
| Ireland | [illegible] - 1.0975 | 1.0900 - 1.0910 | 0.36-0.30cpm | [illegible] | 0.80-0.66pm | 2.68 |
| Germany | [illegible] - 2.9165 | 2.9100 - 2.9150 | 1¼-1¼pfpm | [illegible] | 3½-2⅞pm | 4.12 |
| Portugal | 259.00 - 260.95 | 259.00 - 260.00 | 117-87cpm | 4.72 | 129-57pm | 1.43 |
| Spain | 183.90 - 185.05 | 184.40 - 184.70 | 2-10cdis | -0.39 | 25-37dis | -0.67 |
| Italy | 2183.00 - 2192.00 | 2188.75 - 2189.75 | 4-2lirepm | [illegible] | 9-7pm | 1.46 |
| Norway | 11.3725 - 11.4075 | 11.3825 - 11.3925 | 2⅝-2¼orepm | [illegible] | 5¾-5¼pm | 1.91 |
| France | 9.8725 - 9.8990 | 9.8750 - 9.8850 | 3⅛-3⅛cpm | [illegible] | 8¾-8pm | 3.31 |
| Sweden | [illegible] - 10.9285 | 10.8950 - 10.9050 | par-⅛oredis | -0.07 | 1⅛-1⅝dis | -0.50 |
| Japan | [illegible] - 261.20 | 260.75 - 261.75 | 1⅛-1¼ypm | 6.03 | 3⅞-3⅝pm | 5.36 |
| [illegible] | 20.42 - 20.54 | 20.42 - 20.46 | 8⅞-7gropm | [illegible] | 22⅞-19pm | [illegible] |
| [illegible] | 2.4595 - 2.4715 | 2.4600 - 2.4700 | 1⅛-1⅛cpm | 5.78 | 3-2⅞pm | [illegible] |
| Ecu | 1.4115 - 1.4165 | 1.4150 - 1.4160 | 0.47-0.43cpm | [illegible] | 1.16-1.10pm | 3.19 |

Commercial rates taken towards the end of London trading Six-month forward dollar 5.40-5.35cpm 12 Month [illegible]

### DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

| Jan 4 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.9315 - 1.9515 | 1.9330 - [illegible] | 1.09-1.07cpm | 6.70 | 3.00-2.97pm | 6.18 |
| Ireland† | 1.7765 - 1.7915 | 1.7775 - [illegible] | 0.52-0.47cpm | 3.34 | 1.65-1.55pm | 3.60 |
| Canada | 1.1500 - 1.1535 | 1.1515 - [illegible] | 0.36-0.38cdis | -3.85 | 1.03-1.08dis | -3.66 |
| Netherlands | 1.6790 - 1.7000 | 1.6980 - [illegible] | 0.28-0.31cdis | -2.08 | 0.87-0.91dis | -2.10 |
| Belgium | 30.65 - 31.05 | 30.95 - [illegible] | 6.00-7.50cdis | -2.61 | 17.00-22.00dis | -2.52 |
| Denmark | 5.7300 - 5.7925 | 5.7875 - [illegible] | 1.30-1.50oredis | -2.90 | 4.10-4.70dis | -3.04 |
| Germany | 1.4875 - 1.5075 | 1.5055 - [illegible] | 0.21-0.23pfdis | -1.75 | 0.74-0.77dis | -2.01 |
| Portugal | 133.45 - 134.40 | 134.15 - 134.25 | 15-30cdis | -2.01 | 140-175dis | -4.69 |
| Spain | 94.40 - 95.50 | 95.40 - 95.50 | 53-58cdis | -6.98 | 148-159dis | -6.43 |
| Italy | 1120.00 - 1132.50 | 1132.00 - [illegible] | 4.50-5.00liredis | -5.03 | 12.80-13.80dis | -4.70 |
| Norway | 5.8275 - 5.8925 | 5.8875 - [illegible] | 1.90-2.15oredis | -4.13 | 6.00-6.40dis | -4.21 |
| France | 5.0560 - 5.1145 | 5.1075 - [illegible] | 1.12-1.17cdis | -2.69 | 3.55-3.65dis | -2.82 |
| Sweden | 5.5915 - 5.6410 | 5.6350 - [illegible] | 3.07-3.22oredis | -6.69 | 9.33-9.68dis | -6.74 |
| Japan | 132.95 - [illegible] | [illegible] - 135.15 | 0.08-0.09ydis | -0.75 | 0.23-0.26dis | -0.73 |
| Austria | 10.4775 - [illegible] | [illegible] - 10.5925 | 1.60-2.15grodis | -2.12 | 4.80-6.45dis | -2.12 |
| Switzerland | 1.2595 - 1.2760 | [illegible] | 0.15-0.19cdis | -1.60 | 0.43-0.50dis | -1.46 |
| Ecu | 1.3670 - 1.3820 | 1.3675 - [illegible] | 0.35-0.33cpm | 2.98 | 1.10-1.04dis | -3.13 |

Commercial rates taken towards the end of London trading † UK, Ireland [illegible] ECU are quoted in US currency Forward premiums and discounts apply to the US dollar and not to the individual currency

### EXCHANGE CROSS RATES

| Jan.4 | £ | $ | DM | Yen | F Fr | S Fr | H Fl | Lira | C $ | B Fr |
|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1 | 1.933 | 2.912 | 261.2 | 9.880 | 2.465 | 3.285 | 2189 | 2.225 | 59.95 |
| $ | 0.517 | 1 | 1.506 | 135.1 | 5.111 | 1.275 | 1.699 | 1132 | 1.151 | 31.01 |

### STERLING INDEX

### CURRENCY RATES

### OTHER CURRENCIES

### EURO-CURRENCY INTEREST RATES

### MONEY RATES

| Jan.4 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 8.45-8.55 | 8.85-9.00 | 9.00-9.15 | 9.10-9.25 | 9.20-9.35 | 8.50 |
| Paris | 10-10⅛ | 9⅞-10 | - | 9⅞-9⅞ | - | 9.25 |
| Zurich | 7⅞-8⅛ | 8⅝-8⅞ | - | 8⅝-8⅞ | - | - |
| Amsterdam | 9.30-9.45 | 9.25-9.40 | - | 9.35-9.50 | - | - |
| Tokyo | 8⅛-8⅛ | - | - | - | - | - |
| Milan | 12⅝-12⅞ | 13⅛-13⅛ | - | 13⅛-13⅛ | - | - |
| Brussels | 10.50 | 9⅞-9⅞ | - | 9⅞-10 | - | - |
| Dublin | 9⅛-9⅞ | 11-11⅛ | 11⅛-11⅛ | 11⅛-11⅛ | 11⅛-11⅞ | - |

### LONDON MONEY RATES

| Jan 4 | Overnight | 7 days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank Offer | 14⅛ | 14⅛ | 14⅛ | 14 | 13½ | 13 |
| Interbank Bid | 2 | 13⅞ | 13⅞ | 13⅞ | 13⅜ | 12⅞ |
| Sterling CDs | - | - | 14⅛ | 13⅞ | 13½ | 12⅞ |
| Local Authority Deps. | 13¾ | 13⅞ | 14⅛ | 13⅞ | 13⅛ | 12⅞ |
| Local Authority Bonds | - | - | - | - | - | - |
| Discount Mkt Deps | 14 | 14 | 13⅞ | 13 | - | - |
| Company Deposits | - | - | 14⅛ | 13⅞ | 13½ | 12⅞ |
| Finance House Deposits | - | - | 14⅛ | 13⅞ | 13⅛ | 12⅞ |
| Treasury Bills (Buy) | - | - | 13⅞ | 13⅞ | - | - |
| Bank Bills (Buy) | - | - | 13⅞ | 13⅞ | 12⅞ | - |
| Fine Trade Bills (Buy) | - | - | 14⅛ | 14 | 13⅞ | - |
| Dollar CDs | - | - | 7.45 | 7.45 | 7.42 | 7.43 |
| SDR Linked Dep. Offer | - | - | 8⅞ | 8⅞ | 8⅞ | 8⅞ |
| SDR Linked Dep. Bid | - | - | [illegible] | 8⅞ | 8⅞ | 8⅞ |
| ECU Linked Dep. Offer | - | - | 10⅛ | 10½ | 10⅞ | 10⅞ |
| ECU Linked Dep. Bid | - | - | 10⅛ | 10⅛ | 10⅞ | 10⅞ |

Treasury Bills (sell): [illegible] 13⅞ per cent; three months 13⅞ per cent; six months 12⅞ per cent; Bank Bills (sell): one-month 13⅞ per cent; three months 13⅞ per cent. Treasury Bills; Average tender rate of discount 1[illegible]32 p.c. ECGD [illegible] Rate Sterling Export Finance. Make up day December 31, 1990. Agreed rates for [illegible] Jan 26, 1991 to Feb 25 1991 Scheme I 14.54 p.c. [illegible] II & III: 15.09 p.c. Reference rate for period Dec 1, 1990 [illegible] Dec 31, 1990 Scheme IV&V: [illegible] p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from January 1, 1991: Bank Deposit Rates for sums at seven [illegible] notice 4 [illegible]. Certificates [illegible] Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; [illegible]-three months 12 per cent, three-six months 12 per cent, six-nine months 12 [illegible] nine-twelve months 11½ per cent. Under £100,000 10½ per cent from Oct 8, 1989, [illegible] withdrawn for cash 5 per cent

### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

### LONDON RECENT ISSUES

### FIXED INTEREST STOCKS

### RIGHTS OFFERS

### FT LONDON INTERBANK FIXING

### BANK OF ENGLAND TREASURY BILL TENDER

### WEEKLY CHANGE IN WORLD INTEREST RATES

## MONEY MARKET FUNDS

### Money Market Trust Funds

### Money Market Bank Accounts

### FINANCIAL TIMES STOCK INDICES

| | Jan 4 | Jan 3 | Jan 2 | Dec 31 | Dec 28 | Dec 27 | 1990/91 High | 1990/91 Low | Since [illegible] High | Since [illegible] Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs. | [illegible] | [illegible] | [illegible] | 82.03 | 82.11 | 82.20 | 84.20 | 74.13 | 127.4 | 49.18 |
| Fixed Interest | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 90.89 | [illegible] | 83.80 | 105.4 | 50.53 |
| Ordinary | 1659.5 | 1648.5 | 1655.7 | [illegible] | [illegible] | 1687.8 | 1968.3 | 1510.4 | [illegible] | [illegible] |
| Gold Mines | 157.8 | 155.5 | 156.7 | 154.6 | 150.0 | 149.9 | 378.5 | 136.2 | 734.7 | 43.5 |
| FT-Act All [illegible] | 1023.21 | [illegible] | 1025.13 | 1032.25 | [illegible] | 1041.26 | 1226.83 | [illegible] | [illegible] | [illegible].92 |
| [illegible] 100 | 2126.1 | 2117.8 | 2128.3 | 2143.5 | 2160.4 | 2167.8 | 2463.7 | 1990.2 | 2463.7 | [illegible] |
| FT-SE Eurotrack 100 | 947.24♣ | [illegible] | [illegible] | 938.05♣ | 937.25 | 946.51 | [illegible] | [illegible] | 1003.35 | 931.10 |

♣-Indicative

# LONDON SHARE SERVICE

### BRITISH FUNDS

### BRITISH FUNDS—Contd

### AMERICANS—Contd

### INT. BANK AND O'SEAS

### CORPORATION LOANS

### COMMONWEALTH & AFRICAN LOANS

### LOANS

### FOREIGN BONDS & RAILS

### AMERICANS

### CANADIANS

# LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

## BANKS, HP & LEASING

[illegible]

### Hire Purchase, Leasing, etc.

[illegible]

## BEERS, WINES & SPIRITS

[illegible]

## BUILDING, TIMBER, ROADS

[illegible]

## BUILDING, TIMBER, ROADS – Contd

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## DRAPERY AND STORES

[illegible]

## ELECTRICALS

[illegible]

## ELECTRICALS – Contd

[illegible]

## ELECTRICITY

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING – Contd

[illegible]

## FOOD, GROCERIES, ETC

[illegible]

## HOTELS AND CATERERS

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS (Miscel.) – Contd

[illegible]

### PRINTING

[illegible]

## INDUSTRIALS (Miscel.) – Contd.

[illegible]

## INSURANCES

[illegible]

## LEISURE

[illegible]

## MOTORS, AIRCRAFT TRADES

[illegible]

### Commercial Vehicles

هكذا من الأصل

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## MOTORS, AIRCRAFT TRADES – Contd

### Components

### Garages and Distributors

## NEWSPAPERS, PUBLISHERS

## PAPER, PRINTING, ADVERTISING

## PROPERTY

## PROPERTY – Contd

## SHOES AND LEATHER

## SOUTH AFRICANS

## TEXTILES

## TOBACCOS

## TRANSPORT

## INVESTMENT TRUST

## INVESTMENT TRUST – Contd

## INVESTMENT TRUST – Contd

Net asset values supplied by County NatWest Wood Mackenzie

## FINANCE, LAND, ETC

## WATER

## OIL AND GAS

## OIL AND GAS – Contd

## OVERSEAS TRADERS

## PLANTATIONS

### Rubbers, Palm Oil

### Teas

## MINES

### Central Rand

### Eastern Rand

### Far West Rand

### O.F.S.

### Diamond and Platinum

### Central African

### Finance

### Australians

## MINES – Contd

### Tins

### Miscellaneous

### NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ♣ Not comparable
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | | | | |
|---|---|---|---|---|---|
| Craig & Rose £1... γ | 790 | ...... | Carrol (P.J.)......... | 154 | ...... |
| Finlay Pkg. 5p.... γ | 38 | ...... | Helton Hldgs. ......γ | 48 | 7.9 |
| Holt (Jos) 25p.....γ | 1305 | ...... | | | |

### IRISH

## TRADITIONAL OPTIONS

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### Property

### Oils

### Mines

This service is available to companies where shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security share, subject to the Editor's discretion.

## FT Share Service

The following changes have been made to the FT Share Information Service:

Deletions: Anglesey Mining Warrants (Section: Mines-Miscellaneous).

Charterhall (Industrials).

Connell (Property).

Globe Inv. Trust (Investment Trusts).

Scott Paper Co. (Paper, Printing, Advertising).

THORN EMI 7% Cnv. Prf. (Electricals).

Details of Third Market changes appeared on page 16 in last Thursday's FT.

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

*4pm prices January 4*

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | – A – A – A – | | | | | | | | |
| 38⅞ | 9⅛ | AAR | .48 | 4.4 | 9 | 487 | 11⅛ | 10⅞ | 10⅞ | – ⅛ |
| 9¼ | 7⅛ | ACM n1.03e | | 12. | | 133 | 8⅞ | 8¾ | 8⅞ | – ⅛ |
| 11⅜ | 8⅞ | ACMIn | 1.26 | 12. | | 3029 | 10¼ | 10⅝ | 10¾ | + ⅛ |
| 9¾ | 6½ | ACM M n1.01 | | 13. | | 262 | 7⅞ | 7½ | 7⅞ | + ⅛ |
| 12⅛ | 10 | ACMMM | 1.50 | 13. | | 182 | 12 | 11⅞ | 11⅞ | |
| 11½ | 8⅝ | ACM Sc | 1.26 | 12. | | 3333 | 10⅜ | 10⅛ | 10⅜ | + ¼ |
| 9⅜ | 7¼ | ACMSp | 1.01 | 12. | | 510 | 8⅝ | 8⅝ | 8⅝ | – ⅛ |
| 26¼ | 17 | AL Lab | .16 | .7 | 19 | 159 | 24⅞ | 23⅛ | 23⅞ | –1⅛ |
| 4⅛ | 1 | AM Intl | | | | 191 | 1¼ | 1¼ | 1¼ | |
| 18⅞ | 4⅞ | AM In pf | 2 | 25. | | 44 | 8⅛ | 7⅞ | 8⅛ | + ¼ |
| 70¼ | 39¾ | AMR | | | 14 | 3969 | 47⅝ | 46¼ | 46⅛ | – 1 |
| 26½ | 25 | ANR pf | 2.67 | 10 | | 1 | 26¼ | 26¼ | 26¼ | + ¼ |
| 24⅝ | 22¼ | ANR pf | 2.12 | 9.3 | | 1 | 22¾ | 22¾ | 22¾ | |
| 4 | 1⅛ | ARX | | | | 76 | 1½ | 1⅜ | 1⅜ | – ⅛ |
| 72½ | 38¼ | ASA | 3 | 6.7 | | 597 | 45½ | 44⅝ | 44¾ | – ⅜ |
| 46⅛ | 31¼ | AbtLab | s.84 | 2.1 | 19 | 13084 | 41⅛ | 40¼ | 40¾ | – ⅞ |
| 11⅝ | 4½ | AcmeC | .40 | 7.8 | 12 | 19 | 5⅛ | 4⅞ | 5⅛ | + ⅛ |
| 32¼ | 18⅞ | Acuson | s | | 19 | 3083 | 24⅛ | 23½ | 23⅝ | – ¼ |
| 16⅞ | 14⅛ | AdalEx | 1.72e | 12. | | 220 | 14⅞ | 14¾ | 14⅞ | |
| 14¼ | 6⅝ | Adobe | | | | 43 | 9 | 8¾ | 8¾ | – ¼ |
| 20⅛ | 16 | Adob pf | 1.84 | 11. | | 35 | 17¼ | 17¼ | 17¼ | – ¼ |
| 21⅜ | 19¾ | Adob pf | 2.40 | 12. | | 31 | 19½ | 19⅜ | 19½ | + ⅛ |
| 11⅜ | 3⅞ | AMD | | | | 1643 | 5⅛ | 5 | 5⅛ | |
| 32⅜ | 13 | AMD pf | 3 | 15. | | 91 | 19⅞ | 19⅛ | 19⅝ | + ⅛ |
| 7⅝ | 1⅜ | Advest | .16 | 5.9 | | 221 | 2⅜ | 2⅝ | 2¾ | |

# NYSE COMPOSITE PRICES

Continued from previous Page

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 35½ | 15¾ | Raycm | .32 | 1.5 | | 497 | 21⅞ | 21½ | 21⅞ | - ⅛ |
| 22⅞ | 14⅞ | RJamF | .32 | 1.7 | 8 | 50 | 18⅞ | 18 | 18⅞ | + ⅛ |
| 26½ | 15¼ | Rayonr | 3.60 | 19 | 6 | 43 | 19⅛ | 18¾ | 18¾ | + ⅛ |
| 2⅞ | 1⅛ | vjRayte | | | 1 | 1 | 1⅛ | 1⅛ | 1⅛ | + ⅛ |
| 71¼ | 57¼ | Raythn | 2.40 | 3.6 | 8 | 1678 | 68¼ | 66⅞ | 66⅞ | - 1½ |
| 29⅝ | 21 | RdrDg n | .60 | 2.2 | 17 | 1213 | 28⅛ | 27⅛ | 27⅞ | - ⅞ |
| 3¾ | 1¼ | RdgBte | | | | 306 | 2 | 1⅞ | 2 | + ⅛ |
| 16 | 11⅝ | REIT | 1.42 | 11. | 9 | 35 | 12⅝ | 12⅜ | 12⅜ | - ⅛ |
| 7½ | 4⅞ | RecnEq | | | | 84 | 5⅛ | 5 | 5 | |
| 20 | 8⅛ | Reebok | .30 | 2.5 | 8 | 3706 | 12¼ | 11⅞ | 12⅛ | + ⅛ |
| 10¾ | 1⅝ | Reece | | | | 66 | 3⅛ | 3⅛ | 3⅛ | - ⅛ |
| ½ | 11-64 | Regal | | | | 33 | 7-32 | 3-16 | 3-16 | |
| 14⅝ | 6⅞ | ReichTp | 1.62 | 18. | 5 | 10 | 8¾ | 8⅝ | 8⅝ | - ⅛ |
| 6⅞ | 4¼ | RelGrp | .32 | 6.9 | | 19 | 4⅞ | 4⅝ | 4⅝ | + ⅛ |
| 30⅞ | 20⅛ | Repsol | n.93e | 4.3 | | 863 | 22 | 21¾ | 21⅞ | |
| 5 | 2⅛ | RepGyp | .15t | 7.6 | | 22 | 2⅛ | 2½ | 2½ | - ⅛ |
| 52⅛ | 37¼ | RepNY | 1.32 | 2.7 | 7 | 234 | 48⅞ | 48½ | 48⅞ | - ⅞ |
| 3¾ | 1¼ | Rexene | | | | 116 | 1½ | 1⅜ | 1½ | + ⅛ |
| 24½ | 11½ | RayRey | .84 | 4.9 | 7 | 39 | 17⅛ | 16⅞ | 17 | |
| 70 | 48½ | ReyMtl | 1.80 | 3.4 | 7 | 2384 | 53¼ | 52⅛ | 52½ | - 1⅛ |
| 70½ | 58¼ | RP Ror | n.84 | 1.2 | | 424 | 69½ | 68 | 68 | - ⅞ |
| 16¾ | 8¾ | RhP pfA1.60e | | 15 | | 81 | 10½ | 10½ | 10½ | + ⅛ |
| 22 | 9⅛ | RhnPl | n1.60e | 15 | | 168 | 10⅝ | 10⅛ | 10⅝ | + ⅛ |
| 38⅞ | 29½ | RiteAid | .90 | 2.4 | 15 | 1609 | 37¼ | 36½ | 37 | + ⅛ |
| 15-64 | 5-128 | RvrOak | | | | 149 | 1-16 | 7-128 | 1-16 | + 3-128 |
| 18¼ | 8½ | RbtHlt | | | 9 | 24 | 9⅛ | 9 | 9 | - ⅛ |
| 5½ | 3⅞ | RblCec n | | | | 180 | 5¼ | 5 | 5 | - ⅛ |
| 21⅛ | 16⅞ | RochG | 1.62 | 8.5 | 10 | 218 | 19⅛ | 19 | 19 | - ⅛ |
| 41½ | 24⅝ | RochTl | 1.50 | 5.0 | 18 | 502 | 30¼ | 29¾ | 30 | - ⅛ |
| 21½ | 15⅛ | RckCtr | 1.92 | 10 | 14 | 451 | 18⅞ | 18¾ | 18¾ | - ⅛ |
| 28¾ | 20½ | Rockwl | .86 | 3.2 | 10 | 2484 | 26¾ | 26½ | 26⅞ | |
| 7⅞ | 3½ | RodRen | | | 18 | 27 | 4 | 3⅞ | 3⅞ | - ⅛ |
| 37 | 24¼ | RohHaas | 1.24 | | 12 | 390 | 35¼ | 35 | 35½ | + ⅛ |
| 26¾ | 11½ | Rohr | | | | 546 | 15⅛ | 15¾ | 15¾ | - ⅛ |
| 15¾ | 7¼ | RollinE | .09 | 1.0 | 26 | 770 | 9 | 8⅞ | 9 | + ⅛ |
| 21⅝ | 16⅞ | Rollins | .56 | 2.7 | 18 | 108 | 21⅛ | 20⅞ | 21 | |
| [illegible] | | | | | | | | | | |

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |
| 30½ | 17½ | Whrlpl | 1.10 | 4.8 | 9 | 1779 | 23½ | 22½ | 23 | + ½ |
| 23¾ | 17 | Whitmn | 1.08 | 5.7 | 89 | 2547 | 18⅞ | 18¾ | 18⅞ | + ⅛ |
| 12 | 7½ | Whitk n | | | 16 | 70 | 10¾ | 10⅝ | 10⅝ | - ⅛ |
| 16½ | 5½ | WllcxG | .10 | 1.4 | 8 | 31 | 7½ | 7⅛ | 7⅛ | - ⅛ |
| 40⅝ | 23⅛ | William | 1.40 | 5.3 | 28 | 905 | 26⅝ | 25⅞ | 26⅛ | - ⅛ |
| 56¾ | 40¼ | Wllm pf3.67 | | 9.0 | | 1 | 40 | 40 | 40 | - ⅛ |
| 26⅞ | 17⅞ | WllCor | n.42e | 1.7 | | 273 | 25⅛ | 25¼ | 25⅛ | - ⅛ |
| 7 | 4 | WilshrO | .11t | 2.4 | 77 | 10 | 4⅝ | 4½ | 4⅝ | + ⅛ |
| 11¼ | 2½ | Windmr | | | | 240 | 2⅝ | 2½ | 2⅝ | + ⅛ |
| 36⅝ | 26⅞ | WinDix | s1.08 | 3.4 | 17 | 234 | 32⅛ | 31½ | 32 | + ⅛ |
| 5⅝ | 2½ | Winnbg | | | | 154 | 2⅞ | 2⅝ | 2¾ | + ⅛ |
| 32½ | 26⅛ | WiscEn | 1.78 | 5.8 | 11 | 383 | 31½ | 31¼ | 31⅜ | - ⅛ |
| 24⅞ | 19¾ | WiscPS | 1.68 | 7.2 | 12 | 2130 | 24 | 23⅞ | 23⅞ | |
| 39⅞ | 21¾ | Witco | 1.72 | 5.8 | 22 | 79 | 29⅞ | 29½ | 29¾ | + ⅛ |
| 12¾ | 6⅛ | WolvrW | .16 | 2.0 | | 68 | 8¼ | 8⅛ | 8⅛ | |
| 35⅝ | 22⅞ | Wolwth | s1.04 | 3.7 | 10 | 5820 | 28⅛ | 27⅛ | 27⅞ | - 1⅛ |
| 15½ | 2⅞ | WrldCp | | | | 72 | 4⅛ | 4 | 4⅛ | + ⅛ |
| 19⅝ | 12 | WrldVl | 1.94e | 16. | | 19 | 12⅛ | 12⅛ | 12⅛ | + ⅛ |
| 60¼ | 43⅞ | Wrigley | 1a | 1.9 | 18 | 168 | 52⅛ | 51½ | 51⅞ | + ⅛ |
| 15¼ | 8¾ | WylaLb | .28 | 2.2 | 16 | 290 | 12¾ | 12¼ | 12½ | - ⅛ |
| 24 | 13⅜ | Wynns | .60 | 3.8 | 10 | 17 | 16⅛ | 15⅞ | 16 | |
| | | -X-Y-Z- | | | | | | | | |
| 38⅞ | 29 | Xerox | 3 | 8.3 | 7 | 3229 | 36⅛ | 35⅝ | 36⅛ | + ⅛ |
| 22⅛ | 13 | XTRA | .72 | 4.8 | | 45 | 15 | 14⅞ | 15 | |
| 25 | 12⅛ | XTRA pf1.94 | | 13. | | 141 | 15 | 14⅞ | 14⅞ | + ⅛ |
| 3⅛ | 9-16 | Zapata | | | | 395 | 15-16 | 13-16 | ⅞ | - 1-16 |
| 8⅝ | 3 | Zemex | | | | 1 | 3⅛ | 3⅛ | 3⅛ | - ⅛ |
| 13⅝ | 4 | ZenithE | | | | 1408 | 7½ | 6⅞ | 7⅛ | + ½ |
| 18¾ | 9⅞ | ZenNtl | 1 | 7.2 | 9 | 145 | 13⅞ | 13⅛ | 13⅞ | + ⅛ |
| 7½ | 4⅞ | Zenix | .93 | 20. | | 85 | 4⅝ | 4⅝ | 4⅝ | - ⅛ |
| 17⅛ | 5⅞ | Zero | .40 | 3.8 | 12 | 131 | 11⅛ | 11⅛ | 11⅛ | - ⅛ |
| 51⅛ | 29⅝ | Zurnin | .88 | 2.7 | 15 | 671 | 33½ | 33⅛ | 33⅛ | - ⅛ |
| 12⅝ | 10⅛ | Zweig | 1.07e | 9.7 | | x262 | 11⅛ | 10⅞ | 11 | + ⅛ |
| 10 | 7⅞ | ZweigTl | .96 | 11. | | 1452 | 8⅞ | 8½ | 8⅞ | + ⅛ |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE PRICES

4pm prices January 4

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

# NASDAQ NATIONAL MARKET

4pm prices January 4

| Stock | Div. | Sales 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |
| | | -X-Y-Z- | | | | |
| XL Dta | | 5 211 | 7¼ | 6⅞ | 6⅞ | + ⅛ |
| XOMA | | 1829 | 19⅛ | 18¾ | 19 | + ⅛ |
| Xilinx | | 85 | 13½ | 13⅛ | 13⅛ | - ⅛ |
| YanEnS 1.52 | | 13 10 | 21⅛ | 20½ | 21 | + ½ |
| YelowF .94 | | 31 2184 | 27½ | 26⅞ | 27½ | + 1⅛ |
| YorkRs | | 13 910 | 10⅛ | 9⅞ | 10⅛ | + ⅛ |
| Zeos | | 19 250 | 16⅜ | 15 | 16½ | + ⅛ |
| ZionBc 1.44 | | 8 16 | 31½ | 30½ | 30½ | |


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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

*MONDAY INTERVIEW*

# Unruffled chairman of the club

## Heinrich Weiss, head of Germany's main employers' association, speaks to **David Goodhart**

**'I am a little less outspoken than I used to be'**

A couple of hours spent with Mr Heinrich Weiss does not send one out into the Düsseldorf night worrying about the state of German industry. The new 48-year-old head of the Bundesvervand der Deutschland Industrie (BDI), Germany's most important employers' association, surveys his new constituency with a contentment that sometimes verges on the complacent.

And why not? Germany is the strongest economy, and most successful exporter, in Europe. Most sectors are booming, helped by the newly opened market in east Germany. In west Germany this year gross corporate profits are expected to top DM650bn and employment will hit a new post-war record of 28.8m.

To many outsiders, especially from Britain, the agonised "Standort Deutschland" debate of three years ago about high costs and inflexibility always seemed rather overdone when set against Germany's structural advantages: consensual industrial relations, excellent training, and a system of ownership which encourages "long-termism".

Nevertheless Mr Weiss's sanguine views are a little surprising given that he became known, during that debate, as an impatient critic of Germany's sluggish corporatism. The young Mr Weiss, who took over the family steel plant manufacturing group at 29, symbolised Chancellor Helmut Kohl's new Germany of the 1980s – modern, energetic and untrammelled by the past. But he was never shy of criticising his own political friends.

In an interview with the FT in 1988 he complained that Chancellor Kohl's centre-right government was dragging its heels on promised structural reforms and said most big companies were considering closing plants in Germany and opening up in the US or UK.

Looking at more or less the same facts three years later from the political pinnacle of German industry Mr Weiss, understandably enough, is condemned to draw a more favourable balance.

It is true, he smiles, "I am a little less outspoken than I used to be". He sees some real progress in the modest recent tax reductions and believes large companies, such as Siemens, are also more aggressive than they used to be. Even the industrial take-off in east Germany is, contrary to the view of many sceptics, on schedule.

The "Standort Deutschland" debate may have been forgotten in the recent buoyant years but some of the problems do remain: "Look at our hours and wages and high sickness rates, we're too comfortable." He hopes that the integration of east Germany may help to break up arthritic structures in west Germany through, for example, promoting regional wage bargaining and forcing a reduction in subsidies.

But he dismisses anxieties about the recent wave of concentration among larger German companies, which some analysts believe is an unhealthy substitute for international expansion. And he does not share a fear that the recent sale of many family-owned *Mittelstand* companies could disturb the exporting bed-rock of German industry.

As for the cyclical debate about the power of the banks, "it's exaggerated". He cites the apparent inability of Deutsche Bank to protect the German tyre company Continental from Pirelli's advances.

That is not something that Mr Weiss welcomes. With his softly-spoken charm and cosmopolitan glamour-boy image – big cigars, love of motor racing and pilot's licence – he does not fit the old stereotype of the dull German businessman. But in one thing he remains thoroughly German: he abhors the Anglo-American system of contested takeovers.

He admits that many of the measures designed to prevent takeovers, such as the 5 per cent ceiling on voting shares, are designed to give managers a quiet life. "But looking at the bad example of corporate raiders in the US our system is preferable," he says, and adds that there is no "middle way" which would widen the scope for contested takeovers without also allowing the abuses.

As a member of the supervisory board of Feldmühle Nobel (FN) he had a close-up view of one of Germany's rare contested bids and did not like it. Veba, which initially took control of FN decided to sell it on to Sweden's Stora group at such a price that some form of asset-stripping is inevitable.

But a wave of foreign takeovers is not likely, he believes, partly because the rate of return in German public companies remains low thanks to high costs and high taxes (return on sales in his own company is about 2.5 per cent). Mr Weiss also seems to believe foreign takeovers are unlikely because outsiders "do not understand the *Mitbestimmung* (co-determination) system".

Mr Weiss's lack of sympathy for a takeover free-for-all may have something to do with his membership of an unbroken family business dynasty. His great-grandfather founded the forging works which has today become Schloemann-Siemag (SMS) with sales of DM1.8bn, mostly outside Europe, and 7,000 employees. Mr Weiss himself took over Siemag in 1971 and in 1973 merged it with the MAN subsidiary Schloemann.

MAN has 51 per cent of the equity but the Siemag Weiss foundation enjoys effective control. Foundation controlled companies have been criticised for protecting weak managements – especially after things went badly wrong at Krupp – but SMS, like Bosch and Bertelsmann, shows that foundation ownership can work.

The acquisition of Battenfeld in 1977 was not a success but Mr Weiss established SMS's name in 1984 after winning a DM1bn contract for a hot-rolling mill in China. He remains a keen advocate of trade with China and believes that after the current period of consolidation Peking will soon be spending its foreign currency more freely.

To critics, however, Mr Weiss remains – liberal rhetoric and international experience notwithstanding – a member of the heavy-industrial Ruhr club. That club of business families (Weiss is himself related to the Flick dynasty), managers, bankers and politicians, is, so critics claim, the heart of Germany's competition-restraining corporatism.

But Mr Weiss seems to have offended some members of that club because, in spite of the patronage of Chancellor Kohl, his attempts to enter the Bundestag as a Christian Democrat have been thwarted. Instead, he has become an advocate of political engagement by businessman and as chairman of the CDU's economic council, 1983-88, he developed a low opinion of economic competence in Bonn.

Partly because of the low business-politics interchange in Bonn, the BDI does carry clout in the capital. So what will Mr Weiss be saying on "the two key issues", Europe and east Germany? He is optimistic about European business but, naturally, strongly opposed to EC protectionism and insists too that "we must say no to French-style centralised industrial politics".

He is wary too of EC red tape citing the case of company reporting regulations which will effect 3.5m EC companies (400,000 in Germany alone) while only 1,500 Japanese companies and 14,000 US companies face similar publishing requirements.

Mr Weiss is cautious about monetary union ("I would not dare name a year for its completion") and says that stability should be the goal of all national central banks before integration is even attempted.

On east Germany he is blandly optimistic, quoting the DM3bn in investment already in progress and the growth of small companies. Mr Weiss himself sits on the board of the east German heavy machinery group SKET which has lost most of its east bloc trade and has costs 50 per cent higher than its western competitors.

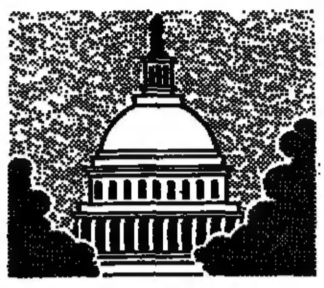
He supports the proposal for a lower corporate tax zone in east Germany – a maximum of 45 per cent – and also believes that the state must take over all the debts and liabilities of east German companies before they are sold.

Both views are opposed by his own party, so he is clearly keen to establish his independence from the CDU during his probable four-year term as BDI president. None the less, he seems destined to replace the assassinated Deutsche Bank chief, Mr Alfred Herrhausen, as Chancellor Kohl's closest confidant in industry.

**PERSONAL FILE**

**1942** Born in Berlin. Studied electronic engineering in Munich and Braunschweig.
**1971** Aged 29, takes over family firm Siemag AG.
**1974** Becomes first chairman of Schloemann-Siemag.
**1983-88** Vice-president of the German Association of Machine and Plant Builders.
**1983-88** Chairman of CDU economic council.
**1990** Head of BDI.

# Shades of grey over the Gulf



**MICHAEL PROWSE on America**

When Mr James Baker, the US secretary of state, meets Mr Tariq Aziz, the Iraqi foreign minister, in Geneva on Wednesday, should he offer incentives in the hope of bringing about a peaceful resolution to the Gulf crisis?

The official White House line is certainly not. There should be no concessions of any kind because Iraq has brutally annexed a peaceful neighbour, committing unspeakable atrocities in the process. The world has united in condemning this flagrant breach of international law. Iraq must therefore withdraw unconditionally within the timetable set by the United Nations. If it does not, the US-led coalition will be more than justified in unleashing its awesome military power. The Baker/Aziz meeting is thus no more than a last chance for Iraq to confront reality.

This rigid line may not result in the hoped for withdrawal by President Saddam Hussein. It could instead lead to a bloody war and the sacrifice of thousands of young lives. The US, therefore, must be very certain that this degree of rigidity is really justified. But is it?

The US and its partners must concede that they bear some responsibility for events in the Gulf. They, after all, were instrumental in helping Mr Saddam amass the arsenal of weapons that made annexation of Kuwait so easy. Days before the invasion, moreover, Mr Baker's subordinates were sending equivocal signals which seemed to suggest that the US would not intervene in an Arab border dispute.

Western nations also bear a heavy responsibility for the underlying instability of the region. The original division of the area was arbitrary and resulted in an exceedingly unfair distribution of oil, the region's only valuable natural asset. Fabulously wealthy Gulf states such as Kuwait then aggravated the injury by simply basking in their riches: they lived lavishly and did little to help foster the economic development of their poor neighbours. None of the states, moreover, is a democracy and none has respected western liberal standards. By the region's own lights, Mr Saddam's decision to help himself to Kuwait's oil was not extraordinary.

But, sceptics will argue, this misses the point. The US has piled troops and weapons into the area because of the strategic importance of its oil and because Iraq, hell bent on acquiring nuclear weapons, will soon become an even more formidable foe. Kuwait is thus almost an irrelevance: the issues that count are oil and Iraq's military muscle.

Neither argument is powerful enough to justify a rigid negotiating stance that could result in a bloodbath. Even if Mr Saddam kept Kuwait he would be only one large oil producer among many, including Saudi Arabia and the Soviet Union. If he tried to push prices too high, he would only provoke recession, conservation and development of alternative energy sources. Like other suppliers, he would have an interest in maximising his long-term oil revenues. Oil would thus remain available at reasonable prices.

In any case, it is hypocritical of the US to express worries on this score when successive Republican administrations have made no serious effort to develop a coherent energy policy and when petrol is sold to US motorists at prices which in Europe and Japan are considered irresponsibly low.

The case over the Iraqi nuclear threat is no more convincing. Viewed objectively, it is not entirely unreasonable for an Arab nation to attempt to acquire military means on a par with those already enjoyed by Israel. Iraq's arsenal needs to be balanced, perhaps by the long-term presence of an international force, but it does not justify an unduly dogmatic stance by Mr Baker.

A final ground for flexibility in Geneva is the sheer human injustice of war. The comfortable classes in Washington, Bonn and Tokyo should reflect on the composition of the forces assembled in Saudi Arabia. As in any war, those at risk are principally the young. But in a crisis that has implications for the world as a whole, it is hard to see why the bulk of those in danger are Americans. It is harder still to justify the fact that nearly 30 per cent of the outsized US force is black, although this is a natural consequence of relying on a volunteer army in a manifestly unequal society. The civilised world should not be relying so heavily on disadvantaged US minorities.

For all the above reasons, I hope Mr Baker lives up to his reputation as a deal maker on Wednesday. But he cannot offer Iraq too generous an incentive to withdraw from Kuwait. The single most important justification for the US hard line has been to deter future acts of aggression. With the cold war over, President George Bush rightly wants to create a "new world order" in which weak nations need not fear their stronger neighbours. He is prepared to risk sacrifices today in order to protect future generations.

The US and its allies would thus be wrong to offer significant territorial concessions. Iraq cannot be permitted a semi-withdrawal. But if Mr Saddam agrees to pull out completely, it would seem reasonable to offer a wide-ranging conference to discuss the region's intricate problems. The US and its allies, of course, should not make any promises, merely offer an objective review of long-standing grievances. Such a conference would certainly be convened in the aftermath of a bloody war. Recognising that in the real world, nothing is ever black and white, it should also be available as part of a peaceful solution to the crisis.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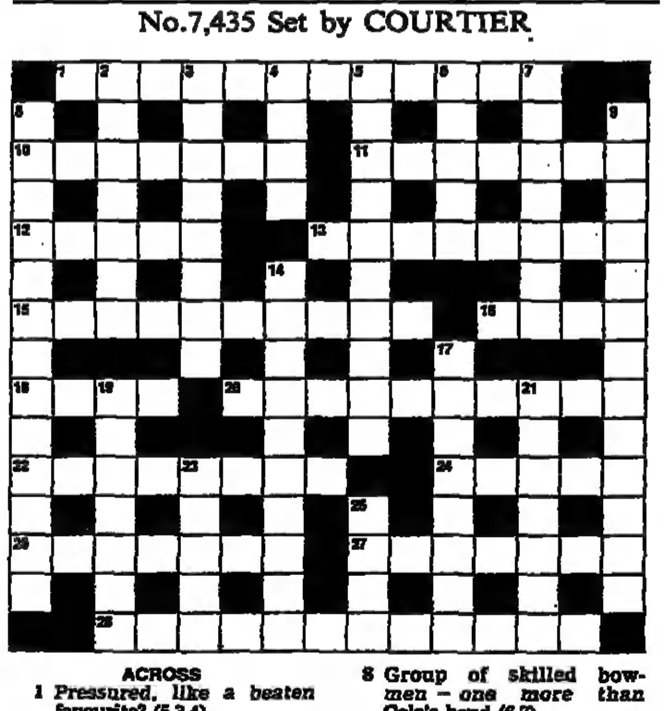


**ACROSS**

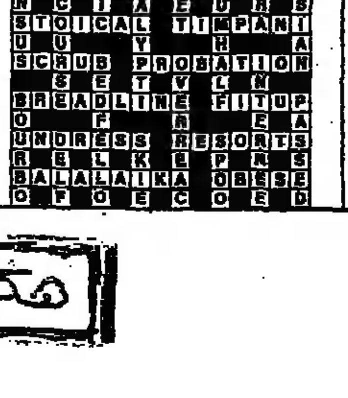
1 Pressured, like a beaten favourite? (5,3,4)
10 The beast, she has returning US soldier in a lock! (7)
11 Endure broken ground round the east (7)
12 I sit beside Reagan; yes, an odd turn of fate (5)
13 Rose as century finished (8)
15 Spiritual guides for the mob? (10)
16 Port – modern measure (4)
18 State appears in all but a half (4)
20 Remove authority from sick person, having stirred tea (10)
22 Rearranged pot in rush (8)
24 Flower material (5)
26 One of a pair that takes a view (7)
27 Tale about one on an emotional high (7)
28 The appear to be neater in rest (12)

**DOWN**

2 No ridge turns black (7)
3 Always before start of year, 24 hours is usual (8)
4 The job question mostly (4)
5 One who is saddled with skills, or vice versa (10)
6 Temporise over a boundary (5)
7 From a heartless deed is
8 Group of skilled bowmen – one more than Cole's band (6,7)
9 Celebration to confuse lodge before northern merger (6,7)
14 Risk 50/50 or become an officer of state (10)
17 I would come back and strive to seize goods (8)
19 Gamesman let in, he follows at first (7)
21 Studio that is put in later, perhaps (7)
23 Special view of an angle (5)
25 Flat-topped hill is the same but different (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday January 19.

Solution to Puzzle No.7,433

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# Prize pens for rising stars

**IAN DAVIDSON on Europe**

Some years ago, when I was green in the ways of this old world, I was enjoying a pleasant lunch with a rising star of the French administration, who was not merely brilliant, but also female and charming. In short, an agreeable occasion, and a stimulus to my thirst for insights on the management of modern France.

My curiosity was soon rewarded. We were talking about this and that, and one of us must have said something interesting; for all at once she whipped out the largest, fattest, blackest fountain pen I had ever seen, and began taking cursive notes.

"O what a beauty," I said. "That is the largest, fattest, blackest fountain pen I have ever seen." "Yes," she replied, "isn't it? It's a Mc. Some people say they are not very well made, some people even say that they leak in aeroplanes, but I don't care. If you want to be a rising star of the French administration, you have to have one."

Observation soon confirmed what she said. Wherever I went, from the the Elysée Palace to the Hotel Matignon, from the Quai d'Orsay to the Quai de Bercy, every rising star of the French administration would display his (or her) Mc, as if it were a badge of office, the modern equivalent of a marshal's baton.

Your Whitehall mandarin may wield a utilitarian ball-point, but not your French Enarque. In press conferences and in seminars, in restaurants and in ministerial meetings, for taking notes and for drafting treaties, the essential accessory is always and everywhere a Mc: and the larger, the greater the implied promise of future advancement. To write with a Parker is somewhat unconventional, to use a Waterman distinctly raffish; for the fully-equipped rising star of the French administration, only the Mc will do.

There is only one drawback to these cigar-sized monsters: their price is even greater than their symbolic significance. The prevalence of the Mc is thus yet another indirect confirmation of the left-wing thesis, that despite all the claims of liberté, égalité and fraternité, the higher echelons of the French administration remain the privileged playground of the middle classes.

There is, however, one way to secure a Mc without mortgaging one's grandmother or robbing a bank, and that is to win a prize in France's annual spelling championship. Launched in 1985 by Bernard Pivot, the dapper presenter of a long-running TV books programme, these Championnats d' Orthographe quickly caught on, and have each year broken new records for the number of competitors.

Last year's championship including more than 60,000 from 90 foreign countries. In each of the last two rounds, a dictation of fiendish difficulty, read out by Bernard Pivot, was broadcast live on French peak-time television, and relayed to francophone countries across the globe. Thanks to generous sponsorship from television and travel companies, the winners walked off with air tickets and improving dictionaries. In addition, the runners-up were rewarded with a Parker fountain pen; but the best got a Mc.

It is a curious event, and typically French. In Britain, I dare say, the dictation has no doubt long vanished from the repertoire of the pedantic schoolroom. In France, however, the dictée remains a characteristic instrument of the school-master's pitiless authority; since the number of possible errors is much greater than the number of possible marks, it is easy to score zero, and to be suitably humbled.

This refined form of quasi-intellectual torture should leave national scars; the Championnats tell a different story. I went along to a semi-final a couple of years ago, and found myself inadvertently drafted into taking part. As each tricky word or treacherous phrase was read out, the competitors reacted with appreciative sighs or suppressed waves of laughter. They were loving it; they might have been in some idyllic examination room, once more on the threshold of an ideal diploma.

So it is not surprising that a simplification of French spelling, drafted last year by the Académie Française and approved by the government, has precipitated a storm of controversy. Every day the batch of intellectuals, most of whom oppose the changes.

Their conservatism is curious, because French spelling is notoriously wild, while the proposed changes are minimal. The circumflex accent on i and u will normally be eliminated, the hyphen will be suppressed in a number of compound words, and there are a few other changes too complicated for foreigners to understand.

All told, only 0.2 per cent of French words would be affected, and 90 per cent of these changes would be the loss of the circumflex. So it is bizarre to read passionate appeals in defence of the circumflex, as if it were an endangered species.

Strangest of all, is the role of the government in all this. The prime minister launched the reform process, he endorsed the proposed reforms, and had them published in the Official Journal of the French Republic. Yet he disowned any claim to legislate on the French language, which he said belonged to its users.

In the meantime, French school children will continue to learn the old spellings until official instructions are circulated by the education ministry. Even then, the new spellings will only be introduced gradually, starting in the youngest classes. So it could well be 10 years or more before the new spellings are completely official; until then, the old and the new will co-exist side by side. It seems a crazy result; is it worth it?

Personally, I agree with the conservatives: for me an abîme would not be an abyss, a voûte would not be a vault without its little hat. But then, I only won a Parker; I want a chance at a Mc without having to

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